



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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April 10, 2012

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **2010-2011 COUNTY'S SINGLE AUDIT REPORT**

Attached is the County's Single Audit Report (Report) for Fiscal Year 2010-11. The audit was performed by the independent accounting firm Macias Gini & O'Connell LLP. Federal law requires the County to have an annual audit of all expenditures that were funded by federal assistance received by the County. This year, the audit covered expenditures of approximately \$2.9 billion.

The Report identifies a number of areas with internal control weaknesses and where County departments are not in compliance with federal assistance requirements. County departments are in general agreement with the auditors' findings and have taken, or will take, corrective action. The statuses of prior year audit findings are also included in the Report. In most cases, the prior year recommendations have been implemented or are in-progress.

To comply with federal reporting requirements, we submit this Report to the State Controller and federal clearinghouse agency. It is subject to further review and follow-up action by the State Controller and/or federal agencies that provided the funding to the County.

If you have any questions, please contact me, or your staff may contact Connie Yee at (213) 974-8321.

WLW:JN:CY:EJ:RA

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Attachment

c: William T Fujioka, Chief Executive Officer
Sachi A. Hamai, Executive Officer of the Board of Supervisors
Audit Committee
Public Information Office
Each Department Head

COUNTY OF LOS ANGELES

**INDEPENDENT AUDITOR'S REPORT,
MANAGEMENT'S DISCUSSION AND
ANALYSIS,
BASIC FINANCIAL STATEMENTS, REQUIRED
SUPPLEMENTARY INFORMATION,
SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND SINGLE AUDIT REPORTS**

FOR THE YEAR ENDED JUNE 30, 2011



Certified Public Accountants.

**COUNTY OF LOS ANGELES
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Table of Contents</u>	<u>Page</u>
Independent Auditor's Report.....	1
Management's Discussion and Analysis (Required Supplementary Information - Unaudited).....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement Net Assets.....	23
Statement of Activities.....	24
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	26
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	28
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	32
Statements of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual on Budgetary Basis:	
General Fund.....	33
Fire Protection District.....	34
Flood Control District.....	35
Public Library.....	36
Regional Park and Open Space District.....	37
Statement of Net Assets – Proprietary Funds.....	38
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	40
Statement of Cash Flows – Proprietary Funds.....	42
Statement of Fiduciary Net Assets – Fiduciary Funds.....	46
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	47
Notes to the Basic Financial Statements.....	49
Required Supplementary Information – Unaudited:	
Schedule of Funding Progress – Pension Plan.....	113
Schedule of Funding Progress – Other Post Employment Benefits.....	114
Single Audit:	
Schedule of Expenditures of Federal Awards.....	115
Notes to the Schedule of Expenditures of Federal Awards.....	131
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	143
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB-Circular A-133.....	145
Schedule of Findings and Questioned Costs.....	149
Status of Prior Year's Findings.....	171
Supplementary Information:	
Community Services Block Grant Supplemental Schedules of Revenue and Expenditures.....	201

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Supervisors
County of Los Angeles, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California (County), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Community Development Commission (CDC), Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA), and the Los Angeles County Employees Retirement Association (LACERA), which represent the following percentages of the assets, net assets/ fund balances, and revenues/additions of the following opinion units:

Opinion Unit	Assets	Net Assets/ Fund Balances	Revenues/ Additions
Governmental Activities	2%	2%	1%
Business-type Activities	4%	10%	10%
Discretely Presented Component Unit	100%	100%	100%
Aggregate Remaining Fund Information	66%	68%	17%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for CDC, First 5 LA and LACERA, are based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective

budgetary comparison for the General Fund, the Fire Protection District, the Flood Control District, the Public Library, and the Regional Park and Open Space District, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the basic financial statements, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 59, *Financial Instruments Omnibus*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 21 and the schedules of funding progress on pages 113 and 114 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We and the other auditors do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The accompanying schedule of expenditures of federal awards and the community services block grant supplemental schedules of revenue and expenditures are presented for purposes of additional analysis as required by OMB Circular A-133 and the California Department of Community Services and Development, respectively, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Macias Jini & O'Connell LLP

Los Angeles, California

December 15, 2011, except for the report on the schedule of expenditures of federal awards and community services block grant supplementary schedules of revenue and expenditures, as to which the date is March 29, 2012.

COUNTY OF LOS ANGELES MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of financial activities for the fiscal year ended June 30, 2011. We recommend that this information be used in conjunction with additional information contained in the letter of transmittal.

Financial Highlights

At the end of the current year, the net assets (total assets less total liabilities) of the County were positive \$14.191 billion. However, net assets are classified into three categories and the unrestricted component is negative \$5.584 billion. See further discussion on page 7.

During the current year, the County's net assets decreased by a total of \$892 million. Net assets related to governmental activities decreased by \$837 million, while net assets related to business-type activities decreased by \$55 million. Growth in liabilities associated with postemployment health insurance benefits was \$1.550 billion during the current year and continued to have a very significant effect on the County's financial condition and overall decrease in net assets. See further discussion on page 7.

At the end of the current year, the County's General Fund reported a total fund balance of \$2.722 billion. During the current year, the County implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54). New fund balance categories and terminology were introduced by GASB 54 and for the current year, the General Fund reported nonspendable fund balance of \$259 million, restricted fund balance of \$35 million, assigned fund balance of \$763 million, and \$1.665 billion of unassigned fund balance.

The County's capital asset balances were \$18.214 billion at year-end and increased by \$187 million during the year.

During the current year, the County's total long-term debt increased by \$330 million. Newly issued and accreted long-term debt of \$1.093 billion exceeded bond maturities of \$763 million. Pension bonds, which were issued in 1994-1995, reached their final maturity during the current year and were fully redeemed as of June 30, 2011.

Overview of the Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements, which are comprised of the following three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

This report also includes other supplementary information in addition to the basic financial statements.

COUNTY OF LOS ANGELES MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all County assets and liabilities, with the difference representing net assets. Over time, increases and decreases in net assets may serve as an indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information that indicates how the County's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that affect cash flows in future periods. For example, property tax revenues have been recorded that have been earned but not yet collected and workers' compensation expenses have been accrued but not yet paid.

The government-wide financial statements report the following different types of programs or activities:

- **Governmental Activities** - The majority of County services are reported under this category. Taxes and intergovernmental revenues are the major revenue sources that fund these activities which include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, recreation, and cultural services.
- **Business-type Activities** - County services that are intended to recover costs through user charges and fees are reported under this category. The County Hospitals, the Waterworks Districts, the Aviation Fund, and housing programs operated by the Community Development Commission, a blended component unit, are regarded as business-type activities.
- **Discretely Presented Component Unit** - Component units are separate entities for which the County is financially accountable. First 5 LA is the only component unit that is discretely presented. As discussed in Note 20 to the basic financial statements, First 5 LA recognized an "extraordinary item" of \$424 million in the current year which reduced net assets of this component unit.

FUND FINANCIAL STATEMENTS

The fund financial statements contain information regarding major individual funds. A fund is a fiscal and accounting entity with a balanced set of accounts. The County uses separate funds to ensure compliance with fiscal and legal requirements.

COUNTY OF LOS ANGELES MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued

FUND FINANCIAL STATEMENTS-Continued

The County's funds are classified into the following three categories:

- **Governmental Funds** - These funds are used to account for essentially the same services that were previously described as governmental activities above. However, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Governmental funds include the General Fund, as well as Special Revenue Funds, Debt Service Funds, Capital Project Funds, and Permanent Funds.
- **Proprietary Funds** - These funds are used to account for functions that were classified as "business-type activities" in the government-wide financial statements. The County's Internal Service Funds are also reported within the proprietary fund section. The County's five Hospital Funds and Waterworks Funds are all considered major funds for presentation purposes. The remaining proprietary funds are combined in a single column, with individual fund details presented elsewhere in this report.
- **Fiduciary Funds** - These funds are used to report assets held in a trustee or agency capacity for others and cannot be used to support the County's programs. The Pension Trust Fund, the Investment Trust Funds, and Agency Funds are reported in this fund category, using the accrual basis of accounting.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits and other postemployment benefits to employees.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$14.191 billion at the close of the most recent fiscal year.

Summary of Net Assets
As of June 30, 2011 and 2010 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 9,065,797	\$ 8,075,688	\$ 892,800	\$ 461,077	\$ 9,958,597	\$ 8,536,765
Capital assets	<u>15,563,696</u>	<u>15,452,736</u>	<u>2,650,760</u>	<u>2,574,305</u>	<u>18,214,456</u>	<u>18,027,041</u>
Total assets	<u>24,629,493</u>	<u>23,528,424</u>	<u>3,543,560</u>	<u>3,035,382</u>	<u>28,173,053</u>	<u>26,563,806</u>
Current and other liabilities	2,218,534	1,592,918	179,700	152,393	2,398,234	1,745,311
Long-term liabilities	<u>9,248,193</u>	<u>7,935,891</u>	<u>2,336,010</u>	<u>1,799,682</u>	<u>11,584,203</u>	<u>9,735,573</u>
Total liabilities	<u>11,466,727</u>	<u>9,528,809</u>	<u>2,515,710</u>	<u>1,952,075</u>	<u>13,982,437</u>	<u>11,480,884</u>
Net assets:						
Invested in capital assets, net of related debt	14,484,468	14,271,861	2,242,340	2,293,147	16,726,808	16,565,008
Restricted net assets	2,925,662	1,861,498	122,216	163,820	3,047,878	2,025,318
Unrestricted net assets (deficit)	<u>(4,247,364)</u>	<u>(2,133,744)</u>	<u>(1,336,706)</u>	<u>(1,373,660)</u>	<u>(5,584,070)</u>	<u>(3,507,404)</u>
Total net assets	<u>13,162,766</u>	<u>13,999,615</u>	<u>1,027,850</u>	<u>1,083,307</u>	<u>14,190,616</u>	<u>15,082,922</u>
Total liabilities and net assets	<u>\$ 24,629,493</u>	<u>\$ 23,528,424</u>	<u>\$ 3,543,560</u>	<u>\$ 3,035,382</u>	<u>\$ 28,173,053</u>	<u>\$ 26,563,806</u>

Significant changes in assets and liabilities included the following:

Current and Other Assets

Current and other assets increased by \$990 million for governmental activities and by \$432 million for business-type activities. For governmental activities, pooled cash and investment balances were higher by \$625 million due to investment purchase transactions which took place at the end of the current year and settled in early July 2011. This increase was offset by corresponding liabilities (Other Payables) of like amount. For business-type activities, accounts receivable grew by \$220 million and was associated with the County's hospitals. For both governmental and business-type activities, long-term debt was issued in the current year and unspent bond proceeds accounted for \$307 million and \$235 million of the asset increases, respectively.

COUNTY OF LOS ANGELES MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued

Liabilities

Current and other liabilities increased by \$626 million for governmental activities, largely due to increases in other payables associated with investment purchase transactions pending settlement at year-end. Long-term liabilities increased by \$1.312 billion for governmental activities and by \$536 million for business-type activities. This is the fourth year for which the County has reported its other postemployment benefits (OPEB) in accordance with Governmental Accounting Standards Board Statement No. 45. OPEB continued to be funded on a pay-as-you-go basis in the current year and OPEB-related liabilities increased for both governmental and business-type activities by \$1.303 billion and \$247 million, respectively. An additional factor for the business-type activities was a net increase in long-term debt of \$261 million, as new debt was issued for various hospital-related capital facilities and improvements. Specific disclosures related to OPEB and other changes in long-term liabilities are discussed and referenced in Notes 8 and 10 to the basic financial statements.

The County's total net assets consist of the following three components:

Capital Assets, Net of Related Debt

The largest portion of the County's net assets (\$16.727 billion) represents its investment in capital assets (i.e., land, structures and improvements, infrastructure, software and equipment, net of related depreciation), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted Net Assets

The County's restricted net assets at year-end were \$3.048 billion. Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. Net assets that pertain to the various separate legal entities included in the basic financial statements are also generally restricted because their funding sources require that funds be used for specific purposes.

Unrestricted Net Assets (Deficit)

The County's total unrestricted net assets are negative \$5.584 billion. Both governmental and business-type activities reported deficits in this category of \$4.247 billion and \$1.337 billion, respectively. The deficits closely parallel the OPEB related liabilities of \$4.466 billion for governmental activities and \$882 million for business-type activities. Other unfunded liabilities are also factors, such as workers' compensation, accrued vacation and sick leave, and litigation and self-insurance claims. The ongoing economic downturn and overall difficult budgetary environment has impaired the County's ability to implement a funding plan for OPEB liabilities.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

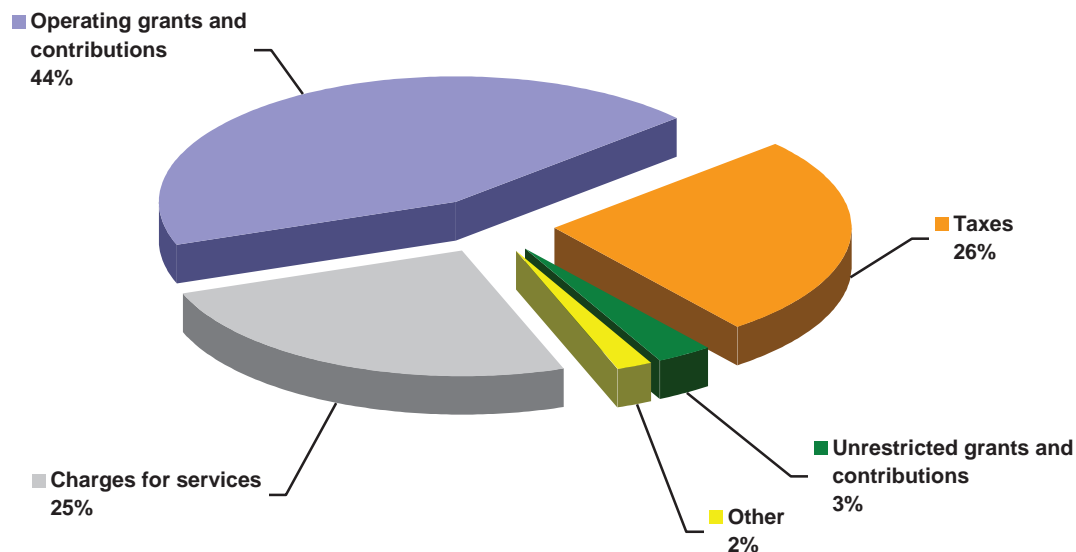
The following table indicates the changes in net assets for governmental and business-type activities:

Summary of Changes in Net Assets
For the Years Ended June 30, 2011 and 2010
(in thousands)

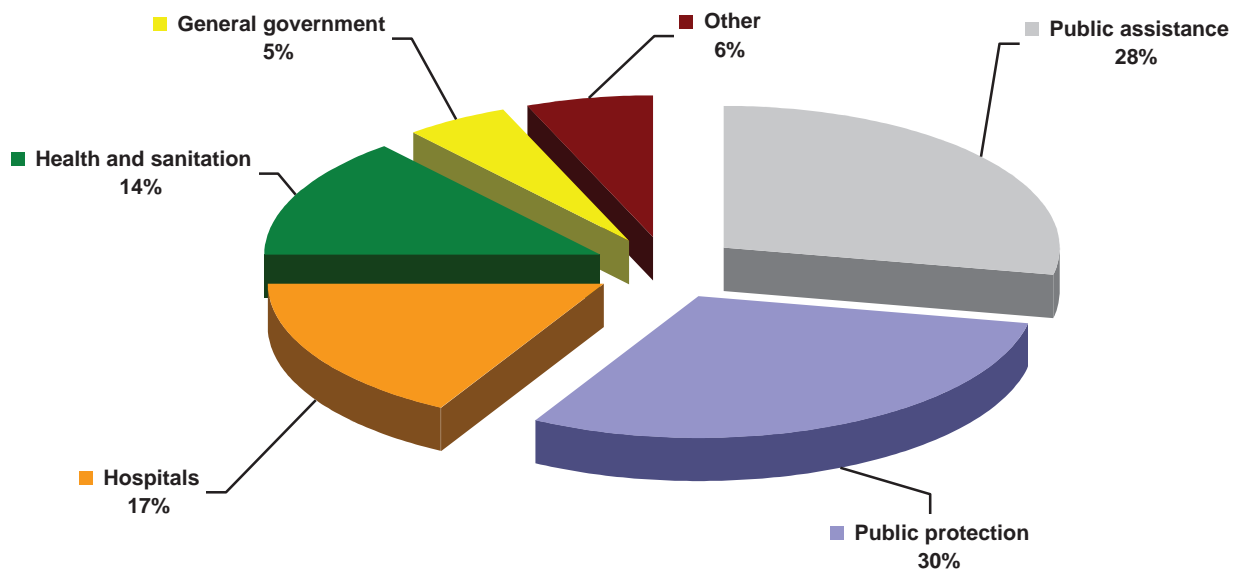
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 2,657,587	\$ 2,685,817	\$ 2,283,048	\$ 2,169,862	\$ 4,940,635	\$ 4,855,679
Operating grants and contributions	7,939,142	7,636,509	681,471	317,163	8,620,613	7,953,672
Capital grants and contributions	149,569	115,640	437	2,018	150,006	117,658
General revenues:						
Taxes	5,046,783	5,061,595	4,265	4,415	5,051,048	5,066,010
Unrestricted grants and contributions	677,767	701,521	41	143	677,808	701,664
Investment earnings	80,746	105,878	2,142	2,693	82,888	108,571
Miscellaneous	<u>129,963</u>	<u>132,856</u>	<u>28,232</u>	<u>35,463</u>	<u>158,195</u>	<u>168,319</u>
Total revenues	<u>16,681,557</u>	<u>16,439,816</u>	<u>2,999,636</u>	<u>2,531,757</u>	<u>19,681,193</u>	<u>18,971,573</u>
Expenses:						
General government	1,100,781	1,236,226			1,100,781	1,236,226
Public protection	6,081,466	6,163,910			6,081,466	6,163,910
Public ways and facilities	417,250	352,549			417,250	352,549
Health and sanitation	2,781,183	2,718,876			2,781,183	2,718,876
Public assistance	5,728,637	5,518,036			5,728,637	5,518,036
Education	104,159	101,397			104,159	101,397
Recreation and cultural services	311,422	319,000			311,422	319,000
Interest on long-term debt	134,429	139,824			134,429	139,824
Hospitals			3,541,874	3,394,724	3,541,874	3,394,724
Aviation			4,658	4,742	4,658	4,742
Waterworks			83,592	76,818	83,592	76,818
Community Development Commission			<u>284,048</u>	<u>294,785</u>	<u>284,048</u>	<u>294,785</u>
Total expenses	<u>16,659,327</u>	<u>16,549,818</u>	<u>3,914,172</u>	<u>3,771,069</u>	<u>20,573,499</u>	<u>20,320,887</u>
Excess (deficiency) before transfers	22,230	(110,002)	(914,536)	(1,239,312)	(892,306)	(1,349,314)
Transfers	<u>(859,079)</u>	<u>(895,250)</u>	<u>859,079</u>	<u>895,250</u>		
Changes in net assets	(836,849)	(1,005,252)	(55,457)	(344,062)	(892,306)	(1,349,314)
Net assets – beginning	<u>13,999,615</u>	<u>15,004,867</u>	<u>1,083,307</u>	<u>1,427,369</u>	<u>15,082,922</u>	<u>16,432,236</u>
Net assets – ending	<u>\$ 13,162,766</u>	<u>\$ 13,999,615</u>	<u>\$ 1,027,850</u>	<u>\$ 1,083,307</u>	<u>\$ 14,190,616</u>	<u>\$ 15,082,922</u>

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

**REVENUES BY SOURCE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**



**EXPENSES BY TYPE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**



**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Governmental Activities

Revenues from governmental activities grew by \$242 million (1.5%) over the prior year. The most significant changes in specific revenue sources were experienced in the following areas:

- Program revenues recognized from operating grants and contributions increased by \$303 million. The largest program contributing to this increase was in the area of public assistance, where program revenues grew by \$157 million. The programs experiencing the most growth in this area were the California Work Opportunities and Responsibilities to Kids (CalWORKs) program and the In-Home Supportive Services (IHSS) program, where revenues increased by \$84 million and \$30 million, respectively. For IHSS, the additional revenues had the effect of lowering the County's share of costs by \$10 million. Health and sanitation program revenues were also higher by \$118 million, largely due to State mental health revenues derived from the Mental Health Services Act (Proposition 63). Program revenues for Proposition 63 experienced strong growth for the second consecutive year and the current year amount was \$127 million higher than the previous year. Proposition 63 program revenues were again facilitated by the County's submission of qualifying program plans which were approved by the State, enabling the County to qualify for, and receive these revenues. This increase was offset by a \$9 million reduction in other federal and State reimbursement grants.
- Capital grants and contributions were \$34 million higher than the previous year. State Proposition 1B provides transportation infrastructure funding to local governments, including the County. The County's share of such revenues grew from \$29 million in the previous year to \$85 million in the current year, a \$56 million increase. These State funds are available for street and highway pavement maintenance, drainage facilities, traffic control devices, facilities that expand ridership on transit systems, and capital improvements to address local traffic congestion. The increase from Proposition B was offset by reduced capital contributions of \$22 million from various other sources.
- All other categories of revenue were lower in the current year by \$95 million. Year-over-year reductions were experienced in charges for services (\$28 million), investment earnings (\$25 million), unrestricted grants and contributions (\$24 million), taxes (\$15 million) and miscellaneous revenues (\$3 million). Many of these revenue sources are economically sensitive and are also highly representative of the County's core discretionary revenues.

COUNTY OF LOS ANGELES MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued

Governmental Activities-Continued

Expenses related to governmental activities increased by \$110 million during the current year. The largest portion of the net increase was attributable to the public assistance category, which grew by \$211 million. As mentioned previously, the County experienced growth in the CalWORKs and IHSS programs. CalWORKs provides temporary assistance to children and families to meet basic needs and expenses were higher by \$82 million. The IHSS program provides home assistance services to aged, blind, or disabled persons and expenses were higher by \$20 million. In addition, the County's General Relief (GR) program provides financial assistance to indigent persons who are not eligible for federal or State assistance programs, and to provide emergency assistance to individuals and families in temporary need. The GR program is especially sensitive to overall economic conditions and unemployment and spending increased by \$40 million. Offsetting a portion of the increased costs in public assistance, the general government category reported lower expenses of \$135 million. This variance was almost entirely due to the inclusion in the previous year of one-time expenses of \$117 million on the disposal of 16 courthouse facilities. There were \$18 million of other cost savings within general government during the current year.

Business-type Activities

Revenues from business-type activities increased in comparison to the prior year by \$468 million (18.5%). The most significant change was in the area of operating grants and contributions, which increased by \$364 million, of which \$353 million was related to the County's Hospitals. As discussed in Note 13 to the basic financial statements, a new federal funding program known as the Delivery System Reform Incentive Pool (DSRIP) provided nearly \$343 million of revenues to the Hospitals. Revenues from charges for services were also higher by \$113 million in the current year and this was also associated with the Hospitals, as patient service revenues increased.

Expenses related to business-type activities increased from the previous year by \$143 million. The increased expenses were principally related to the Hospitals, where expenses were higher by \$147 million. Intergovernmental transfer expenses were \$107 million higher and the increase was attributable to the DSRIP program, which incurred \$141 million of such costs. Salaries and employee benefits associated with the Hospitals were also higher by \$34 million. For all facilities, the average patient census during the current year was slightly higher, at 1,321 patients per day in comparison with 1,313 for the prior year.

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

COUNTY OF LOS ANGELES MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. Types of governmental funds reported by the County include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and the Permanent Funds.

As of the end of the current fiscal year, the County's governmental funds reported combined total fund balances of \$6.205 billion, an increase of \$291 million in comparison with the prior year. Of the total fund balances, \$313 million is nonspendable to indicate the extent that funds are not in spendable form or are required to remain intact. An additional \$3.209 billion is classified as restricted, \$111 million as committed, and \$907 million as assigned. The remaining balance of \$1.665 billion is classified as unassigned and is entirely associated with the General Fund.

Revenues from all governmental funds for the current year were \$16.550 billion, an increase of \$224 million (1.4%) from the previous year. Expenditures for all governmental funds in the current year were \$15.776 billion, an increase of \$319 million (2.1%) from the previous year. In addition, other financing uses exceeded other financing sources by \$483 million as compared to \$848 million in the prior year.

The General Fund is the County's principal operating fund. During the current year, the fund balance in the General Fund decreased by \$273 million (9.1%). At the end of the current fiscal year, the General Fund's total fund balance was \$2.722 billion. Of this amount, \$259 million is classified as nonspendable, \$35 million as restricted, \$763 million as assigned and the remaining \$1.665 billion is classified as unassigned.

General Fund revenues during the current year were \$13.568 billion, an increase of \$83 million (0.6%) from the previous year. General Fund expenditures during the current year were \$13.554 billion, an increase of \$314 million (2.4%) from the previous year. Other financing sources/uses-net was negative \$288 million in the current year as compared to negative \$417 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Intergovernmental revenues increased overall by \$169 million. Within this category, State revenues increased by \$256 million, federal revenues declined by \$89 million and revenues from other governmental agencies grew by \$2 million. State revenue growth of \$173 million was largely associated with public assistance programs, which experienced increases in reimbursable costs and where there was a moderate shift in funding from federal to State sources. There was also growth in State revenues for mental health services as well as programs serving children and families. The decrease in federal revenues was principally due to the funding shift previously noted for public assistance programs.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Governmental Funds-Continued

- Miscellaneous revenues were lower by \$46 million. The largest factor in this category was tobacco settlement revenues, as the General Fund's share of such revenues went down by \$31 million (from \$96 million in the previous year to \$65 million in the current year). The County partially securitized its tobacco settlement revenues in 2006. Debt service commenced in the current year and \$22 million of tobacco settlement revenues were recognized in the debt service fund which was established for this purpose. Overall tobacco settlement revenues recognized by the County were lower in the current year by \$9 million.
- Current expenditures increased by \$277 million (2.1%) and there were increases in all functional areas except public protection. The most significant increase was in the area of public assistance, where expenditures were higher by \$192 million. Costs were notably higher for programs such as "temporary assistance for needy families" and "general relief" and expenditures were higher by \$70 million and \$40 million, respectively. Program and administrative expenditures grew by \$64 million for child welfare services. Expenditures for the category of health and sanitation increased by \$55 million as costs for mental health services rose by \$45 million, primarily for contracted programs.

The Fire Protection District reported a year-end fund balance of \$218 million, which represented an increase of \$9 million from the previous year. Revenues decreased by \$17 million, as revenues were lower in nearly every categorical area. Expenditures were also lower by \$16 million as costs were aligned with the revenue reductions. Transfers out were also reduced by \$9 million in the current year.

The Flood Control District reported a year-end fund balance of \$157 million, which was \$4 million lower than the previous year. Revenues were \$11 million lower in the current year and the federal revenue category accounted for \$7 million of the reduction. Expenditures decreased by \$39 million, or 15%, as there were one-time expenditures incurred in the previous year for special projects and heavy winter rainstorms.

The Public Library Fund reported a year-end fund balance of \$43 million, which was \$10 million higher than the previous year. Revenues were nearly unchanged from the previous year while expenditures were slightly higher in the current year, increasing by approximately \$2 million. There was a net increase of over \$7 million for "other financing sources and uses," and was attributable to sales of fixed assets. In the current year, library facilities were sold to a city which was previously served by the County. The city intends to directly provide library services with the facilities acquired from the County.

The Regional Park and Open Space District reported a year-end fund balance of \$310 million, which was \$15 million higher than the previous year. Current year revenues of \$84 million were slightly lower than the previous year amount of \$85 million. Expenditures declined by \$10 million in the current year, as there were net reductions in grants to eligible agencies.

COUNTY OF LOS ANGELES MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The County's principal proprietary funds consist of four hospital enterprise funds and an additional fund (Martin L. King Jr. Ambulatory Care Center) which was converted from a full-service hospital in 2007-2008 to a multi-service ambulatory care center. As discussed in Note 13 to the basic financial statements, the County merged the Martin L. King Jr. Ambulatory Care Center with the Harbor UCLA Medical Center at the end of the current fiscal year. All of the aforementioned funds incurred a net loss prior to contributions and transfers.

The County is legally required to provide local matching funds to the health care system in order to remain eligible for federal and State assistance. Such funds were provided to the hospitals as operating subsidies from the County General Fund during the year. The amount of subsidy, per facility, ranged from \$53 million for Rancho Los Amigos National Rehabilitation Center to \$303 million for the LAC+USC Medical Center. The total subsidy amount was \$672 million and is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Assets as "transfers in." By comparison, the total General Fund subsidy in the prior year was \$687 million.

An additional source of local funding for the Hospitals is the Health Services Measure B Special Revenue Fund ("Measure B Fund"). The Measure B Fund receives voter approved property taxes for trauma and emergency services. In the current year, the Measure B Fund provided transfers to the LAC+USC Medical Center (\$107 million), Harbor UCLA Medical Center (\$53 million), and Olive View UCLA Medical Center (\$42 million). The total amount of current year Measure B transfers (\$202 million) were higher than the prior year amount of \$193 million.

Waterworks Funds reported year-end net assets of \$850 million, a \$21 million reduction from the previous year. Current year operating revenues of \$58 million were slightly higher than the previous year amount of \$56 million. Current year operating expenses of \$84 million grew in comparison to the previous year's amount of \$77 million.

General Fund Budgetary Highlights

The accompanying basic financial statements include a Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Budgetary Basis for the County's General Fund. The County's budgetary basis of accounting has not yet incorporated GASB 54 fund balance terminology and is discussed in Notes 1 and 15 to the basic financial statements. There are approximately 100 separate budget units within the General Fund, excluding capital improvement projects, which are individually budgeted. The data presented below represents the net budgetary changes for the General Fund in a highly summarized format. Accordingly, in certain instances, budgets have been increased for programs within a category even though actual amounts have not been realized for the category in its entirety. Under the budgetary basis, there was a net decrease of \$27 million in the General Fund's available (unreserved and undesignated) fund balance from the previous year.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Budgetary Summary - Revenues/Financing Sources

Following is a summary of current year budgetary changes and actual results (on the County's budgetary basis) for General Fund revenues and other financing sources (in thousands):

<u>Category</u>	<u>Increase (Decrease) From Original Budget</u>	<u>Final Budget Amount</u>	<u>Actual Amount</u>	<u>Variance- Positive (Negative)</u>
Taxes	\$ (2,252)	\$ 3,841,125	\$ 3,834,433	\$ (6,692)
Intergovernmental revenues	32,571	8,277,478	7,611,594	(665,884)
Charges for services	(13,930)	1,743,401	1,655,633	(87,768)
All other revenues	68,895	561,135	586,750	25,615
Other sources and transfers in	14,749	630,491	396,081	(234,410)
Total	<u>\$ 100,033</u>	<u>\$ 15,053,630</u>	<u>\$ 14,084,491</u>	<u>\$ (969,139)</u>

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources approximated \$100 million. The most significant changes occurred in the following areas:

- The increase of \$69 million related to "all other revenues" was mostly attributable to tobacco settlement revenues of \$65 million. The County's policy is to budget tobacco settlement revenues after they have been received. Miscellaneous revenue increases accounted for the remaining \$4 million.
- Estimated intergovernmental revenues increased by \$33 million. The additional revenues were primarily associated with new federal grants in the areas of emergency preparedness (\$15 million) and law enforcement (\$10 million). The remaining \$8 million consisted of new federal and State grants for a variety of programs.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately \$969 million, or 6.4%, lower than budget. As discussed below, most of this variance was concentrated in the areas of intergovernmental revenues, "other sources and transfers in," and charges for services.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Actual Revenues/Financing Sources Compared with Final Budget Amounts-Continued

- Actual intergovernmental revenues were \$666 million lower than the amount budgeted. Mental health programs accounted for approximately \$230 million of this variance, which experienced lower than anticipated reimbursable costs (particularly for contracted services) and correspondingly lower than expected revenues. Approximately \$154 million was associated with social service programs, where reimbursable costs were lower than anticipated due to hiring and promotion delays, reduced spending for services and supplies, and delays in implementing new systems. An additional \$145 million pertained to anticipated reimbursement of capital improvement, disaster recovery and homeland security projects and programs that were not completed prior to year-end. Public health related programs experienced shortfalls of \$74 million, most of which was associated with federal grants and offset by a comparable amount of cost savings. The remaining variance of \$63 million was related to a variety of other programs.
- The actual amount of "other sources and transfers in" was \$234 million lower than the amount budgeted. Of this amount, "transfers in" totaling \$116 million were assumed in the budget for capital improvements and extraordinary building maintenance projects which did not incur expected costs. In addition, mental health programs funded by the Mental Health Services Act Fund (Proposition 63) did not fully materialize at the budgeted level and "transfers in" were \$101 million lower than budgeted. There were various other sources and transfers that comprised the remaining variance of \$17 million.
- The amount of actual revenues from charges for services was \$88 million lower than the amount budgeted and was associated with a wide variety of services. Anticipated service levels did not materialize as assumed by the budget.

Budgetary Summary - Expenditures/Other Financing Uses

Following is a summary of current year budgetary changes and actual results (on the County's budgetary basis) for General Fund expenditures, transfers out, reserves, and designations (in thousands):

Category	Increase (Decrease)		Final Budget Amount	Actual Amount	Variance- Positive
	From Original Budget				
General government	\$	22,994	\$ 1,582,697	\$ 869,544	\$ 713,153
Public protection		32,325	4,746,198	4,560,322	185,876
Health and sanitation		(40,412)	2,991,015	2,593,999	397,016
Public assistance		(1,118)	5,647,734	5,324,011	323,723
All other expenditures		3,333	1,250,435	374,643	875,792
Transfers out		25,870	726,316	708,000	18,316
Contingencies		14,179	14,179		14,179
Reserves/designations-net		42,862	(276,300)	(318,955)	42,655
Total	\$	100,033	\$ 16,682,274	\$14,111,564	\$ 2,570,710

COUNTY OF LOS ANGELES MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations, reserves and designations were approximately \$100 million. As discussed below, the most significant increases and reductions occurred in the following areas:

- Provisions for net reserves and designations were increased during the year by \$43 million. At the end of the fiscal year, the designation for health services, which is predominately funded by tobacco settlement revenues, was increased by \$96 million. This amount was comprised of tobacco settlement revenues recognized in the current year (\$65 million) plus prior year funds that were appropriated, but unexpended (\$31 million). The designation for extraordinary maintenance was reduced by \$44 million to establish a comprehensive and preventative deferred maintenance program. Miscellaneous decreases of \$9 million were made to reserves and other designations.
- Appropriations were reduced for the health and sanitation category by \$40 million. Budgeted expenditures for the Managed Care Rate Supplement were reduced by \$44 million. This reduction was due to lower than anticipated intergovernmental transfer expenditures associated with the County's Managed Care program.
- Appropriations were increased for the public protection category by \$32 million. Of this amount, new grant funds of \$15 million were appropriated for emergency preparedness programs. There was \$9 million allocated for the closeout of the Office of Public Safety, which merged with the Sheriff's Department. The remaining \$8 million was used to supplement the budget of the Probation Department, primarily for systems to handle medical records and case management.
- Appropriations for "transfers out" were increased by \$26 million to supplement the amount of fund transfers from the General Fund to various Hospital Funds.
- General government appropriations were increased by \$23 million. As previously mentioned, \$44 million was added to appropriations for deferred maintenance. This amount was offset by appropriation reductions of \$21 million, largely due to funding which shifted from the general government category to capital outlay.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were \$2.571 billion lower (approximately 15.4%) than the final total budget of \$16.682 billion. There were budgetary savings in all functional expenditure categories. Due to ongoing economic uncertainties, the County remained fiscally prudent in managing appropriations throughout the fiscal year. Savings were achieved through a variety of measures including departmental hiring freezes, reduction in purchases of services and supplies and capital assets, and development of efficiency initiatives. Following are the functional areas that recognized the largest variations from the final budget:

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount-Continued

- The category referred to as “all other expenditures” reflected actual spending of \$876 million less than the budgeted amount. Nearly all (\$862 million) of this variance was related to the capital outlay category. There were many capital improvements anticipated in the budget that remained in the planning stages and did not incur expenditures during the year. Most of the unused balance has been reestablished in the following year's budget to ensure the continuity of the projects, many of which are multi-year in nature.
- The general government function reported actual expenditures that were \$713 million less than the amount budgeted. Of this amount, \$542 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations and central non-departmental appropriations. The remaining \$171 million was spread across virtually every department comprising general government and was mostly related to savings in the areas of salaries and services and supplies.
- Overall expenditures for the health and sanitation category were \$397 million less than the budgeted amount. Appropriations related to mental health services exceeded actual expenditures by \$285 million, primarily due to less than anticipated costs for contracted services and to a lesser extent, salary savings. The remaining variance was associated with a variety of health care programs administered by the Departments of Public Health Services (\$89 million) and Health Services (\$23 million).
- Actual public assistance expenditures were \$324 million lower than the final budget. Of this amount, \$277 million was concentrated in social service, children, and family programs. Administrative costs were lower than anticipated due to overall cost containment efforts, vacant positions, and delays in hiring. There were \$33 million of savings related to homeless and housing programs due to delays in carrying out multi-year projects. The remaining variance amount of \$14 million was related to other public assistance programs.

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2011 were \$18.214 billion (net of depreciation). Capital assets include land, easements, buildings and improvements, equipment, software, and infrastructure. The major infrastructure network elements are roads, sewers, water, flood control, and aviation.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

The total increase in the County's capital assets (net of depreciation) for the current fiscal year was \$187 million, as shown in the following table.

Changes in Capital Assets, Net of Depreciation
Primary Government - All Activities
(in thousands)

	<u>Current Year</u>	<u>Prior Year</u>	<u>Increase (Decrease)</u>
Land and easements	\$ 7,520,029	\$ 7,477,362	\$ 42,667
Buildings and improvements	3,917,585	3,945,086	(27,501)
Infrastructure	5,044,706	5,059,561	(14,855)
Equipment	496,315	440,147	56,168
Software	294,865	305,035	(10,170)
Capital assets, in progress	<u>940,956</u>	<u>799,850</u>	<u>141,106</u>
Total	<u>\$ 18,214,456</u>	<u>\$ 18,027,041</u>	<u>\$ 187,415</u>

The County's major capital asset initiatives during the current year continued to focus on new facilities and major improvements for the Hospitals. There was significant construction-in-progress at Harbor/UCLA Medical Center, as \$65 million was capitalized for surgical facilities and seismic retrofit projects. The net increase in equipment was especially influenced by the public protection category, as helicopters and fire engines were among the items acquired. As of the end of the current year, there were \$364 million of capital construction commitments outstanding.

Debt Administration

The following table indicates the changes in the County's long-term debt during the year:

Changes in Long-Term Debt
Primary Government - All activities
(in thousands)

	<u>Current Year</u>	<u>Prior Year</u>	<u>Increase (Decrease)</u>
Bonds and Notes Payable	\$ 2,508,668	\$1,832,774	\$ 675,894
Pension Bonds Payable	<u>345,913</u>	<u>345,913</u>	<u>(345,913)</u>
Total	<u>\$ 2,508,668</u>	<u>\$ 2,178,687</u>	<u>\$ 329,981</u>

During the current year, the County's liabilities for long-term debt increased by \$330 million, or 15.1%. Specific changes related to governmental and business-type activities are presented in Note 10 (Long-Term Obligations) to the basic financial statements. During the current year, significant long-term debt transactions were as follows:

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

- New debt of \$62 million was issued to finance the acquisition of equipment. Equipment debt totaling \$15 million was redeemed during the year in accordance with maturity schedules.
- New debt of \$791 million was issued to redeem \$169 million of commercial paper debt. The remaining \$622 million provided funding for various Hospital facility improvements, facilities which support governmental activities, required debt service reserves and bond issuance costs.
- The remaining pension bonds outstanding (\$346 million) were redeemed during the current year and there were no pension bond liabilities at the end of the current year.

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling \$1.5 billion in tax and revenue anticipation notes which reached maturity on June 30, 2011, and by periodic borrowing from available trust funds.

Bond Ratings

The County's debt is rated by Moody's, Standard and Poor's, and Fitch. The following is a schedule of ratings:

	<u>Moody's</u>	<u>Standard and Poor's</u>	<u>Fitch</u>
General Obligation Bonds	Aa2	AA-	AA-
Pension Bonds	Aa3	A+	
Facilities	A1	A+	A+
Equipment/Non-Essential Leases	A2	A+	A+
Operating/Non-Essential Leases	A2	A+	A
Short-Term	MIG1	SP-1+	F1+
Commercial Paper	P-1	A-1+	
Flood Control District Revenue Bonds	Aa1	AA	AAA
Regional Park and Open Space District Bonds	Aa2	AA	AAA

Since the previous year, the County's bond ratings remained the same except for the following changes:

- Moody's upgraded the Facilities rating from A2 to A1 and lowered the rating for Equipment/Non-Essential leases from A1 to A2.
- Fitch assigned an AA- rating for the General Obligation Bonds, upgraded the Facilities rating from A to A+, and upgraded the Flood Control District Revenue Bonds from AA+ to AAA.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2011-2012 Budget on June 20, 2011. The Budget was adopted based on estimated fund balances that would be available at the end of 2010-2011. The Board updated the Budget on October 4, 2011 to reflect final 2010-2011 fund balances and other pertinent financial information. For the County's General Fund, the 2011-2012 Budget, as updated in October 2011, utilized \$1.602 billion of fund balance, which exceeded the previously estimated fund balance of \$1.340 billion. Of the additional fund balance of \$262 million, \$165 million was used to carryover lapsed appropriations and the remaining \$97 million was used to fund one-time projects and programs.

The lingering effects of the recession continued to have a noticeable impact on the County's budget. For the 2011-2012 Budget, other factors included the reduction of federal stimulus funding, unavoidable pension and employee health insurance cost increases, and public assistance caseload increases. These factors are offset, in part, by signs of stability with certain key revenue sources. After experiencing a decline for two years in a row, the County's assessed property values are reversing this trend. The County Assessor has released the Net Local Property Tax Roll for 2011-12 and it is 1.36% higher than the previous year. Property tax revenues are the County's single most important source of funding and are vital to programs which rely on discretionary funding sources.

The County's financial outlook continues to be affected by the overall slow economic recovery and ongoing budget problems at the State level. The State Legislative Analyst's Office (LAO) estimates a State budget deficit of approximately \$12.8 billion by the time the State Legislature enacts a 2012-2013 State budget plan. Although the anticipated deficit is lower than recent years, it is still significant and requires ongoing monitoring by the County, which remains highly dependent on State funding. One of the State's key 2011-12 budget strategies relies upon the "realignment" of programs by shifting funding, workload and responsibilities from State agencies to counties and especially targets the public protection area. This change potentially impacts the County if the cost of the new responsibilities does not approximate the new revenue streams.

Obtaining Additional Information

This financial report is designed to provide a general overview of the County's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Los Angeles County Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012-2766.



COUNTY OF LOS ANGELES
STATEMENT OF NET ASSETS
JUNE 30, 2011 (in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	FIRST 5 LA
	ACTIVITIES	ACTIVITIES		
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating (Note 1)	\$ 3,518,618	\$ 61,464	\$ 3,580,082	\$ 848,723
Other (Note 1)	1,688,358	36,339	1,724,697	
Total pooled cash and investments	5,206,976	97,803	5,304,779	848,723
Other investments (Note 5)	517,022	61,794	578,816	
Taxes receivable	304,233	965	305,198	
Accounts receivable - net (Note 13)		1,119,894	1,119,894	
Interest receivable	11,589	526	12,115	1,573
Other receivables	1,935,716	248,333	2,184,049	36,744
Internal balances (Note 14)	960,704	(960,704)		
Inventories	112,502	16,610	129,112	
Restricted assets (Note 5)	17,055	307,579	324,634	
Capital assets: (Notes 6 and 9)				
Capital assets, not being depreciated	7,922,641	538,344	8,460,985	2,039
Capital assets, net of accumulated depreciation	7,641,055	2,112,416	9,753,471	11,075
Total capital assets	15,563,696	2,650,760	18,214,456	13,114
TOTAL ASSETS	24,629,493	3,543,560	28,173,053	900,154
LIABILITIES				
Accounts payable	352,641	74,912	427,553	25,553
Accrued payroll	334,904	70,413	405,317	
Other payables	1,043,955	12,773	1,056,728	426,895
Accrued interest payable	26,845	20,577	47,422	
Unearned revenue	37,935	803	38,738	
Advances payable	422,254	222	422,476	
Noncurrent liabilities: (Note 10)				
Due within one year	713,030	200,731	913,761	48
Due in more than one year	8,535,163	2,135,279	10,670,442	338
TOTAL LIABILITIES	11,466,727	2,515,710	13,982,437	452,834
NET ASSETS				
Invested in capital assets, net of related debt				
(Notes 6 and 10)	14,484,468	2,242,340	16,726,808	13,114
Restricted for:				
Capital projects	103,479		103,479	
Debt service	56,910	59,026	115,936	
Permanent trust	2,733		2,733	
General government	555,342		555,342	
Public protection	461,749		461,749	
Public ways and facilities	455,070	49,305	504,375	
Health and sanitation	670,628		670,628	
Recreation	315,713		315,713	
Community development	284,000	13,885	297,885	
Other	20,038		20,038	434,206
Unrestricted (deficit)	(4,247,364)	(1,336,706)	(5,584,070)	
TOTAL NET ASSETS	\$ 13,162,766	\$ 1,027,850	\$ 14,190,616	\$ 447,320

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2011 (in thousands)

FUNCTIONS		PROGRAM REVENUES		
		CHARGES FOR	OPERATING	CAPITAL
PRIMARY GOVERNMENT:	EXPENSES	SERVICES	GRANTS AND	GRANTS AND
			CONTRIBUTIONS	CONTRIBUTIONS
Governmental activities:				
General government	\$ 1,100,781	\$ 451,082	\$ 53,514	\$ 16,406
Public protection	6,081,466	1,308,388	1,090,638	34,759
Public ways and facilities	417,250	28,568	211,376	98,183
Health and sanitation	2,781,183	635,950	1,926,693	221
Public assistance	5,728,637	48,892	4,653,590	
Education	104,159	5,002	1,730	
Recreation and cultural services	311,422	179,705	1,601	
Interest on long-term debt	134,429			
Total governmental activities	16,659,327	2,657,587	7,939,142	149,569
Business-type activities:				
Hospitals	3,541,874	2,210,619	394,840	
Aviation	4,658	3,586	1,398	437
Waterworks	83,592	57,747	177	
Community Development Commission	284,048	11,096	285,056	
Total business-type activities	3,914,172	2,283,048	681,471	437
Total primary government	\$ 20,573,499	\$ 4,940,635	\$ 8,620,613	\$ 150,006
COMPONENT UNIT -				
First 5 LA	\$ 150,402	\$	\$ 137,175	\$

GENERAL REVENUES:

Taxes:

Property taxes
 Utility users taxes
 Voter approved taxes
 Documentary transfer taxes
 Other taxes

Sales and use taxes, levied by the State

Grants and contributions not restricted
 to special programs

Investment earnings

Miscellaneous

EXTRAORDINARY ITEM -

State of California - AB 99 liability (Note 20)

TRANSFERS - NET

Total general revenues, extraordinary item and transfers

CHANGE IN NET ASSETS

NET ASSETS, JULY 1, 2010

NET ASSETS, JUNE 30, 2011

The notes to the basic financial statements are an integral part of this statement.

NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS			
PRIMARY GOVERNMENT			COMPONENT UNIT
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	FIRST 5 LA
\$ (579,779)	\$	\$ (579,779)	
(3,647,681)		(3,647,681)	
(79,123)		(79,123)	
(218,319)		(218,319)	
(1,026,155)		(1,026,155)	
(97,427)		(97,427)	
(130,116)		(130,116)	
(134,429)		(134,429)	
(5,913,029)		(5,913,029)	
	(936,415)	(936,415)	
	763	763	
	(25,668)	(25,668)	
	12,104	12,104	
	(949,216)	(949,216)	
(5,913,029)	(949,216)	(6,862,245)	
			\$ (13,227)

FUNCTIONS

PRIMARY GOVERNMENT:

Governmental activities:

General government

Public protection

Public ways and facilities

Health and sanitation

Public assistance

Education

Recreation and cultural services

Interest on long-term debt

Total governmental activities

Business-type activities:

Hospitals

Aviation

Waterworks

Community Development Commission

Total business-type activities

Total primary government

COMPONENT UNIT -

Total - First 5 LA

GENERAL REVENUES:

Taxes:

Property taxes

Utility users taxes

Voter approved taxes

Documentary transfer taxes

Other taxes

Sales and use taxes, levied by the State

Grants and contributions not restricted

to special programs

Investment earnings

Miscellaneous

EXTRAORDINARY ITEM -

State of California - AB 99 liability (Note 20)

TRANSFERS - NET

Total general revenues, extraordinary item and transfers

CHANGE IN NET ASSETS

NET ASSETS, JULY 1, 2010

NET ASSETS, JUNE 30, 2011

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
ASSETS:				
Pooled cash and investments: (Notes 1 and 5)				
Operating (Note 1)	\$ 568,691	180,870	145,784	41,740
Other (Note 1)	1,582,576	24,970	10,696	2,209
Total pooled cash and investments	2,151,267	205,840	156,480	43,949
Other investments (Notes 4 and 5)	16,589			120
Taxes receivable	210,914	50,483	14,767	7,016
Interest receivable	2,238	580	466	133
Other receivables	1,761,411	27,164	5,146	1,489
Due from other funds (Note 14)	356,860	6,050	8,254	3,420
Advances to other funds (Note 14)	1,063,061		6,601	
Inventories	54,145	14,121		1,285
TOTAL ASSETS	<u>\$ 5,616,485</u>	<u>304,238</u>	<u>191,714</u>	<u>57,412</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 286,597	6,228	1,951	1,507
Accrued payroll	289,546	27,878		3,147
Other payables	1,039,126	2,235		415
Due to other funds (Note 14)	464,170	13,740	15,879	4,317
Deferred revenue	382,897	36,399	16,780	5,033
Advances payable	411,508			
Notes payable				
Third party payor liability (Notes 10 and 13)	20,198			
TOTAL LIABILITIES	<u>2,894,042</u>	<u>86,480</u>	<u>34,610</u>	<u>14,419</u>
FUND BALANCES (Notes 2 and 19):				
Nonspendable	259,127	14,121		1,285
Restricted	35,377	203,637	157,104	7,049
Committed				
Assigned	763,038			34,659
Unassigned	1,664,901			
TOTAL FUND BALANCES	<u>2,722,443</u>	<u>217,758</u>	<u>157,104</u>	<u>42,993</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,616,485</u>	<u>304,238</u>	<u>191,714</u>	<u>57,412</u>

The notes to the basic financial statements are an integral part of this statement.

REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				ASSETS:
				Pooled cash and investments: (Notes 1 and 5)
\$ 305,671	2,248,974		\$ 3,491,730	Operating (Note 1)
3,505	59,796		1,683,752	Other (Note 1)
309,176	2,308,770		5,175,482	Total pooled cash and investments
	688,943	(197,285)	508,367	Other investments (Notes 4 and 5)
2,948	18,105		304,233	Taxes receivable
976	7,048		11,441	Interest receivable
4,931	77,920		1,878,061	Other receivables
451	316,520		691,555	Due from other funds (Note 14)
	15,056		1,084,718	Advances to other funds (Note 14)
	32,926		102,477	Inventories
<u>\$ 318,482</u>	<u>3,465,288</u>	<u>(197,285)</u>	<u>\$ 9,756,334</u>	TOTAL ASSETS
				LIABILITIES AND FUND BALANCES
				LIABILITIES:
\$ 745	44,949		\$ 341,977	Accounts payable
	92		320,663	Accrued payroll
	231		1,042,007	Other payables
2,006	350,722		850,834	Due to other funds (Note 14)
5,650	35,850		482,609	Deferred revenue
	9,746		421,254	Advances payable
	71,264		71,264	Notes payable
	824		21,022	Third party payor liability (Notes 10 and 13)
<u>8,401</u>	<u>513,678</u>		<u>3,551,630</u>	TOTAL LIABILITIES
				FUND BALANCES (Notes 2 and 19):
	38,676		313,209	Nonspendable
310,081	2,692,526	(197,285)	3,208,489	Restricted
	111,363		111,363	Committed
	109,045		906,742	Assigned
			1,664,901	Unassigned
<u>310,081</u>	<u>2,951,610</u>	<u>(197,285)</u>	<u>6,204,704</u>	TOTAL FUND BALANCES
<u>\$ 318,482</u>	<u>3,465,288</u>	<u>(197,285)</u>	<u>\$ 9,756,334</u>	TOTAL LIABILITIES AND FUND BALANCES

COUNTY OF LOS ANGELES
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011 (in thousands)

Fund balances - total governmental funds (page 27) \$ 6,204,704

Amounts reported for governmental activities in the statement of
 net assets are different because:

Capital assets used in governmental activities are not reported in
 governmental funds:

Land and easements	\$ 7,265,882	
Construction-in-progress	656,759	
Buildings and improvements - net	2,672,612	
Equipment - net	265,616	
Intangible software - net	250,357	
Infrastructure - net	<u>4,319,929</u>	15,431,155

Other long-term assets are not available to pay for current-period
 expenditures and are unearned, or not recognized, in governmental funds:

Deferred revenue - taxes	\$ 220,041	
Long-term receivables	<u>272,185</u>	492,226

Accrued interest payable is not recognized in governmental funds. (26,640)

Long-term liabilities, including bonds and notes payable, are not due and
 payable in the current period and, therefore, are not reported in the
 governmental funds:

Bonds and notes payable (including accreted interest)	\$ (1,656,115)	
Capital lease obligations	(181,095)	
Accrued vacation/sick leave	(796,644)	
Workers' compensation	(1,749,882)	
Litigation/self-insurance	(117,292)	
Pollution remediation obligations	(28,095)	
OPEB obligation	<u>(4,273,527)</u>	(8,802,650)

Assets and liabilities of certain internal service funds are included in
 governmental activities in the accompanying statement of net assets. (136,029)

Net assets of governmental activities (page 23) \$ 13,162,766



COUNTY OF LOS ANGELES
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
REVENUES:				
Taxes	\$ 3,843,366	618,519	97,233	71,683
Licenses, permits and franchises	56,656	12,705	595	
Fines, forfeitures and penalties	244,787	5,807	1,824	752
Revenue from use of money and property:				
Investment income (Note 5)	54,665	645	1,003	196
Rents and concessions (Note 9)	74,993	112	6,377	12
Royalties	482		798	
Intergovernmental revenues:				
Federal	3,289,984	11,574	3,642	170
State	4,108,280	12,146	2,126	2,084
Other	108,228	30,029	6,366	1,532
Charges for services	1,641,399	168,000	113,998	3,310
Miscellaneous	145,414	648	2,594	1,219
TOTAL REVENUES	13,568,254	860,185	236,556	80,958
EXPENDITURES:				
Current:				
General government	883,854			
Public protection	4,401,985	834,238	220,811	
Public ways and facilities				
Health and sanitation	2,476,524			
Public assistance	5,217,560			
Education				109,952
Recreation and cultural services	263,046			
Debt service:				
Principal	78,046	3,815		847
Interest and other charges	194,445	8,239		1,849
Capital leases	5,986	2,796		288
Capital outlay	32,598			
TOTAL EXPENDITURES	13,554,044	849,088	220,811	112,936
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	14,210	11,097	15,745	(31,978)
OTHER FINANCING SOURCES (USES):				
Transfers in (Note 14)	422,680		41	38,552
Transfers out (Note 14)	(762,808)	(2,438)	(20,227)	(4,303)
Issuance of debt (Note 10)				
Proceeds for capital leases (Note 9)	43,523			
Sales of capital assets	9,027	297	70	7,587
TOTAL OTHER FINANCING SOURCES (USES)	(287,578)	(2,141)	(20,116)	41,836
NET CHANGE IN FUND BALANCES	(273,368)	8,956	(4,371)	9,858
FUND BALANCES, JULY 1, 2010	2,995,811	208,802	161,475	33,135
FUND BALANCES, JUNE 30, 2011	\$ 2,722,443	217,758	157,104	42,993

The notes to the basic financial statements are an integral part of this statement.

REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
\$	324,453		\$ 4,955,254	REVENUES:
	10,322		80,278	Taxes
884	87,089		341,143	Licenses, permits and franchises
				Fines, forfeitures and penalties
2,553	32,037	(10,515)	80,584	Revenue from use of money and property:
	30,165		111,659	Investment income (Note 5)
	5		1,285	Rents and concessions (Note 9)
				Royalties
	175,335		3,480,705	Intergovernmental revenues:
	856,407		4,981,043	Federal
	16,230		162,385	State
80,152	130,038		2,136,897	Other
	68,732		218,607	Charges for services
83,589	1,730,813	(10,515)	16,549,840	Miscellaneous
				TOTAL REVENUES
				EXPENDITURES:
				Current:
	14,245		898,099	General government
	59,803		5,516,837	Public protection
	340,886		340,886	Public ways and facilities
	152,292		2,628,816	Health and sanitation
	169,645		5,387,205	Public assistance
	598		110,550	Education
32,614	7,264		302,924	Recreation and cultural services
				Debt service:
	152,453	(25,375)	209,786	Principal
	75,877	(10,515)	269,895	Interest and other charges
			9,070	Capital leases
	68,994		101,592	Capital outlay
32,614	1,042,057	(35,890)	15,775,660	TOTAL EXPENDITURES
				EXCESS (DEFICIENCY) OF REVENUES OVER
50,975	688,756	25,375	774,180	EXPENDITURES
				OTHER FINANCING SOURCES (USES):
	178,199		639,472	Transfers in (Note 14)
(36,168)	(684,366)		(1,510,310)	Transfers out (Note 14)
	326,363		326,363	Issuance of debt (Note 10)
			43,523	Proceeds for capital leases (Note 9)
	751		17,732	Sales of capital assets
(36,168)	(179,053)		(483,220)	TOTAL OTHER FINANCING SOURCES (USES)
14,807	509,703	25,375	290,960	NET CHANGE IN FUND BALANCES
295,274	2,441,907	(222,660)	5,913,744	FUND BALANCES, JULY 1, 2010
\$ 310,081	2,951,610	(197,285)	\$ 6,204,704	FUND BALANCES, JUNE 30, 2011

COUNTY OF LOS ANGELES
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2011 (in thousands)

Net change in fund balances - total governmental funds (page 31) \$ 290,960

Amounts reported for governmental activities in the statement of activities
 are different because:

Governmental funds report capital outlay as expenditures. However, in
 the statement of activities, the cost of those assets is allocated over
 their estimated useful lives and reported as depreciation expense:

Expenditures for general capital assets, infrastructure and other related capital asset adjustments	\$ 366,201	
Less - current year depreciation expense	<u>(338,926)</u>	27,275

In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale are reported as an increase in financial resources. Thus, the change in net assets differs from the change in fund balance.	(1,898)
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Contribution of capital assets is not recognized in the governmental funds.	46,937
---	--------

Revenue timing differences result in more revenue in government-wide statements.	27,033
---	--------

Issuance of long-term debt provides revenue in the governmental funds, but increases long-term liabilities in the statement of net assets.	(369,886)
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Repayment of debt principal is an expenditure in the governmental funds,
 but the repayment reduces long-term liabilities in the statement of net assets:

Pension bonds	\$ 82,039	
Certificates of participation	99,040	
Assessment bonds	25,375	
Other long-term notes, loans and capital leases	<u>13,302</u>	219,756

Some expenses reported in the accompanying statement of activities do not
 require (or provide) the use of current financial resources and, therefore, are
 not reported as expenditures in governmental funds:

Change in workers' compensation	\$ 70,544	
Change in litigation/self-insurance	38,112	
Change in pollution remediation obligations	(3,340)	
Change in accrued vacation/sick leave	(8,885)	
Change in OPEB liability	(1,246,891)	
Change in accrued interest payable	(12,579)	
Change in accretion of tobacco settlement bonds	(12,495)	
Change in accretion of pension bonds	157,468	
Transfer of capital assets from governmental fund to enterprise fund	<u>(2,564)</u>	(1,020,630)

The change in the net pension obligation (an asset) is not recognized in governmental funds.	(35,832)
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The portion of internal service funds that is reported with governmental activities.	<u>(20,564)</u>
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Change in net assets of governmental activities (page 25)	<u><u>\$ (836,849)</u></u>
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COUNTY OF LOS ANGELES
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2011 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 3,843,377	3,841,125	3,834,433	(6,692)
Licenses, permits and franchises	45,938	45,938	56,656	10,718
Fines, forfeitures and penalties	224,625	227,005	244,787	17,782
Revenue from use of money and property:				
Investment income	57,578	58,696	58,815	119
Rents and concessions	59,453	59,633	59,206	(427)
Royalties	236	236	482	246
Intergovernmental revenues:				
Federal	3,966,011	4,006,440	3,337,489	(668,951)
State	4,137,895	4,129,949	4,164,899	34,950
Other	141,001	141,089	109,206	(31,883)
Charges for services	1,757,331	1,743,401	1,655,633	(87,768)
Miscellaneous	104,410	169,627	166,804	(2,823)
TOTAL REVENUES	14,337,855	14,423,139	13,688,410	(734,729)
EXPENDITURES:				
Current:				
General government	1,559,703	1,582,697	869,544	(713,153)
Public protection	4,713,873	4,746,198	4,560,322	(185,876)
Health and sanitation	3,031,427	2,991,015	2,593,999	(397,016)
Public assistance	5,648,852	5,647,734	5,324,011	(323,723)
Recreation and cultural services	267,383	283,613	269,419	(14,194)
Debt service-				
Interest	14,542	14,542	14,542	
Capital outlay	965,177	952,280	90,682	(861,598)
TOTAL EXPENDITURES	16,200,957	16,218,079	13,722,519	(2,495,560)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,863,102)	(1,794,940)	(34,109)	1,760,831
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	8,508	8,508	9,027	519
Transfers in	607,234	621,983	387,054	(234,929)
Transfers out	(700,446)	(726,316)	(708,000)	18,316
Appropriation for contingencies		(14,179)		14,179
Changes in reserves and designations	319,162	276,300	318,955	42,655
OTHER FINANCING SOURCES (USES) - NET	234,458	166,296	7,036	(159,260)
NET CHANGE IN FUND BALANCE	(1,628,644)	(1,628,644)	(27,073)	1,601,571
FUND BALANCE, JULY 1, 2010 (Note 15)	1,628,644	1,628,644	1,628,644	
FUND BALANCE, JUNE 30, 2011 (Note 15)	\$		1,601,571	1,601,571

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 FIRE PROTECTION DISTRICT
 FOR THE YEAR ENDED JUNE 30, 2011 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 607,303	616,856	616,606	(250)
Licenses, permits and franchises	7,765	7,765	12,705	4,940
Fines, forfeitures and penalties	5,849	5,849	5,807	(42)
Revenue from use of money and property:				
Investment income	900	900	1,483	583
Rents and concessions	81	81	112	31
Intergovernmental revenues:				
Federal	15,086	18,153	11,574	(6,579)
State	11,795	11,795	12,146	351
Other	32,716	32,716	30,029	(2,687)
Charges for services	177,834	177,834	168,000	(9,834)
Miscellaneous	414	424	648	224
TOTAL REVENUES	859,743	872,373	859,110	(13,263)
EXPENDITURES:				
Current-Public protection:				
Salaries and employee benefits	766,933	767,415	738,165	(29,250)
Services and supplies	131,159	141,786	96,629	(45,157)
Other charges	6,798	6,898	4,738	(2,160)
Capital assets	16,013	17,881	11,567	(6,314)
TOTAL EXPENDITURES	920,903	933,980	851,099	(82,881)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(61,160)	(61,607)	8,011	69,618
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	104	104	297	193
Transfers out	(2,438)	(2,438)	(2,438)	
Appropriation for contingencies		(9,553)		9,553
Changes in reserves and designations	(30,325)	(20,325)	(18,349)	1,976
OTHER FINANCING SOURCES (USES) - NET	(32,659)	(32,212)	(20,490)	11,722
NET CHANGE IN FUND BALANCE	(93,819)	(93,819)	(12,479)	81,340
FUND BALANCE, JULY 1, 2010 (Note 15)	93,819	93,819	93,819	
FUND BALANCE, JUNE 30, 2011 (Note 15)	\$		81,340	81,340

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 FLOOD CONTROL DISTRICT
 FOR THE YEAR ENDED JUNE 30, 2011 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 98,200	98,200	96,828	(1,372)
Licenses, permits and franchises	630	630	595	(35)
Fines, forfeitures and penalties	1,500	1,500	1,824	324
Revenue from use of money and property:				
Investment income	3,001	3,001	1,824	(1,177)
Rents and concessions	7,275	7,275	6,377	(898)
Royalties	400	400	798	398
Intergovernmental revenues:				
Federal			3,642	3,642
State	841	841	2,126	1,285
Other	5,648	5,648	6,366	718
Charges for services	111,384	111,384	113,943	2,559
Miscellaneous	1,435	1,435	2,594	1,159
TOTAL REVENUES	230,314	230,314	236,917	6,603
EXPENDITURES:				
Current-Public protection:				
Services and supplies	173,739	179,406	175,553	(3,853)
Other charges	19,942	19,942	19,639	(303)
Capital assets	52,865	26,422	21,259	(5,163)
Capital outlay	5	781	779	(2)
TOTAL EXPENDITURES	246,551	226,551	217,230	(9,321)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,237)	3,763	19,687	15,924
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	300	300	70	(230)
Transfers in	40	40	40	
Transfers out	(2,583)	(2,583)	(1,159)	1,424
Appropriation for contingencies	(618)	(618)		618
Changes in reserves and designations	4,475	(15,525)	(11,305)	4,220
OTHER FINANCING SOURCES (USES) - NET	1,614	(18,386)	(12,354)	6,032
NET CHANGE IN FUND BALANCE	(14,623)	(14,623)	7,333	21,956
FUND BALANCE, JULY 1, 2010 (Note 15)	14,623	14,623	14,623	
FUND BALANCE, JUNE 30, 2011 (Note 15)	\$		21,956	21,956

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 PUBLIC LIBRARY
 FOR THE YEAR ENDED JUNE 30, 2011 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 70,101	71,491	71,541	50
Fines, forfeitures and penalties			752	752
Revenue from use of money and property:				
Investment income	400	400	349	(51)
Rents and concessions	20	20	12	(8)
Intergovernmental revenues:				
Federal	350	350	170	(180)
State	1,879	1,879	2,084	205
Other	1,351	1,351	1,532	181
Charges for services	2,898	2,898	3,310	412
Miscellaneous	1,491	1,491	1,219	(272)
TOTAL REVENUES	78,490	79,880	80,969	1,089
EXPENDITURES:				
Current-Education:				
Salaries and employee benefits	79,769	79,769	73,284	(6,485)
Services and supplies	60,002	55,724	37,047	(18,677)
Other charges	373	3,071	3,047	(24)
Capital assets	726	951	622	(329)
TOTAL EXPENDITURES	140,870	139,515	114,000	(25,515)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(62,380)	(59,635)	(33,031)	26,604
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	1	1	7,587	7,586
Transfers in	50,110	49,440	38,552	(10,888)
Transfers out	(3,433)	(4,533)	(4,303)	230
Appropriation for contingencies	(22)	(1,412)		1,412
Changes in reserves and designations	800	1,215	2,058	843
OTHER FINANCING SOURCES (USES) - NET	47,456	44,711	43,894	(817)
NET CHANGE IN FUND BALANCE	(14,924)	(14,924)	10,863	25,787
FUND BALANCE, JULY 1, 2010 (Note 15)	14,924	14,924	14,924	
FUND BALANCE, JUNE 30, 2011 (Note 15)	\$		25,787	25,787

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 REGIONAL PARK AND OPEN SPACE DISTRICT
 FOR THE YEAR ENDED JUNE 30, 2011 (in thousands)

	REGIONAL PARK AND OPEN SPACE DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Fines, forfeitures and penalties	\$ 818	818	884	66
Revenue from use of money and property-				
Investment income	5,738	5,738	4,072	(1,666)
Charges for services	81,908	81,908	79,799	(2,109)
TOTAL REVENUES	88,464	88,464	84,755	(3,709)
EXPENDITURES:				
Current-Recreation and cultural services:				
Services and supplies	5,282	5,282	5,118	(164)
Other charges	192,149	192,149	26,156	(165,993)
TOTAL EXPENDITURES	197,431	197,431	31,274	(166,157)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(108,967)	(108,967)	53,481	162,448
OTHER FINANCING SOURCES (USES):				
Transfers in	82,324	82,324	73,768	(8,556)
Transfers out	(117,821)	(117,821)	(109,936)	7,885
Appropriation for contingencies	(14,780)	(14,780)		14,780
Changes in reserves and designations	(5,504)	(5,404)	(3,527)	1,877
OTHER FINANCING SOURCES (USES) - NET	(55,781)	(55,681)	(39,695)	15,986
NET CHANGE IN FUND BALANCE	(164,748)	(164,648)	13,786	178,434
FUND BALANCE, JULY 1, 2010 (Note 15)	165,189	165,189	165,189	
FUND BALANCE, JUNE 30, 2011 (Note 15)	\$ 441	541	178,975	178,434

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. Ambulatory Care Center Rancho Los Amigos National Rehab Center
ASSETS				
Current assets:				
Pooled cash and investments: (Notes 1 and 5)				
Operating (Note 1)	\$ 959	566	7,156	239
Other (Note 1)	10,728	9,078	14,199	1,906
Total pooled cash and investments	11,687	9,644	21,355	2,145
Other investments (Note 5)				
Taxes receivable				
Accounts receivable - net (Note 13)	347,319	200,477	441,951	111,523
Interest receivable	184	13	162	3
Other receivables	14,001	13,207	22,273	3,978
Due from other funds (Note 14)	81,554	37,741	119,589	21,317
Advances to other funds (Note 14)				
Inventories	4,230	3,905	7,213	1,259
Total current assets	458,975	264,987	612,543	140,225
Noncurrent assets:				
Restricted assets (Note 5)	249,047	11,126	43,786	844
Other receivables (Note 13 and 14)	51,744	58,616	60,680	23,487
Capital assets: (Notes 6 and 9)				
Land and easements	3,276	15,171	18,183	217
Buildings and improvements	272,319	152,939	1,078,864	187,179
Equipment	101,169	39,674	153,574	15,195
Intangible - software	15,352	13,878	18,158	5,085
Infrastructure				
Construction in progress	143,583	76,015	782	8,609
Less accumulated depreciation	(236,561)	(115,214)	(277,281)	(108,642)
Total capital assets - net	299,138	182,463	992,280	107,643
Total noncurrent assets	599,929	252,205	1,096,746	131,974
TOTAL ASSETS	1,058,904	517,192	1,709,289	272,199
LIABILITIES				
Current liabilities:				
Accounts payable	20,958	11,070	30,120	3,851
Accrued payroll	21,467	12,911	30,249	5,786
Other payables	4,277	1,985	3,600	1,082
Accrued interest payable	17,031	3,280	65	168
Due to other funds (Note 14)	51,061	26,804	58,980	14,919
Advances from other funds (Note 14)	338,853	228,934	388,680	104,059
Advances payable			222	
Unearned revenue			39	
Current portion of long-term liabilities (Note 10)	39,334	16,714	125,507	15,792
Total current liabilities	492,981	301,698	637,462	145,657
Noncurrent liabilities:				
Accrued vacation and sick leave (Note 10)	43,171	22,579	52,725	10,184
Bonds and notes payable (Note 10)	422,137	76,855	8,483	20,825
Capital lease obligations (Notes 9 and 10)				
Workers' compensation (Notes 10 and 17)	76,634	22,830	114,228	21,049
Litigation and self-insurance (Notes 10 and 17)	25,808	1,063	45,581	566
OPEB obligation (Notes 8 and 10)	250,302	168,136	383,794	79,366
Third party payor liability (Notes 10 and 13)	52,229	28,668	126,521	25,418
Total noncurrent liabilities	870,281	320,131	731,332	157,408
TOTAL LIABILITIES	1,363,262	621,829	1,368,794	303,065
NET ASSETS				
Invested in capital assets, net of related debt (Notes 6 and 10)	114,198	109,898	893,453	81,318
Restricted:				
Debt service		1,323	43,721	
Public ways and facilities				
Community development commission				
Unrestricted (deficit)	(418,556)	(215,858)	(596,679)	(112,184)
TOTAL NET ASSETS (DEFICIT) (Note 3)	\$ (304,358)	(104,637)	340,495	(30,866)

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 44,195	7,394	\$ 60,509	\$ 27,843
419	4	36,334	4,611
44,614	7,398	96,843	32,454
	61,794	61,794	8,655
965		965	
10,405	8,219	1,119,894	
141	23	526	148
347		53,806	9,157
718	1	260,920	77,655
1,308		1,308	
3		16,610	10,025
58,501	77,435	1,612,666	138,094
		304,803	19,831
		194,527	
11,273	206,027	254,147	
119,091	172,670	1,983,062	1,734
675	3,431	313,718	269,828
1,345		53,818	
1,152,300	43,495	1,195,795	
40,655	14,553	284,197	
(524,196)	(183,151)	(1,445,045)	(127,953)
801,143	257,025	2,639,692	143,609
801,143	257,025	3,139,022	163,440
859,644	334,460	4,751,688	301,534
3,256	4,689	73,944	11,632
		70,413	14,241
	1,829	12,773	1,948
		20,544	238
5,433	1,749	158,946	20,350
	3,500	1,064,026	22,000
		222	
507	257	803	54
22	399	197,768	30,308
9,218	12,423	1,599,439	100,771
	133	128,792	38,957
24	46,696	575,020	66,240
		234,741	124
		73,018	35,108
		881,598	2,291
		232,836	192,466
24	46,829	2,126,005	335,186
9,242	59,252	3,725,444	435,957
801,097	240,873	2,240,837	75,129
	13,911	58,955	503
49,305		49,305	
	13,885	13,885	2,837
	6,539	(1,336,738)	(212,892)
\$ 850,402	275,208	1,026,244	\$ (134,423)
		1,606	
		\$ 1,027,850	

ASSETS

Current assets:

Pooled cash and investments: (Notes 1 and 5)

Operating (Note 1)

Other (Note 1)

Total pooled cash and investments

Other investments (Note 5)

Taxes receivable

Accounts receivable - net (Note 13)

Interest receivable

Other receivables

Due from other funds (Note 14)

Advances to other funds (Note 14)

Inventories

Total current assets

Noncurrent assets:

Restricted assets (Note 5)

Other receivables (Note 13 and 14)

Capital assets: (Notes 6 and 9)

Land and easements

Buildings and improvements

Equipment

Intangible - software

Infrastructure

Construction in progress

Less accumulated depreciation

Total capital assets - net

Total noncurrent assets

TOTAL ASSETS

LIABILITIES

Current liabilities:

Accounts payable

Accrued payroll

Other payables

Accrued interest payable

Due to other funds (Note 14)

Advances from other funds (Note 14)

Advances payable

Unearned revenue

Current portion of long-term liabilities (Note 10)

Total current liabilities

Noncurrent liabilities:

Accrued vacation and sick leave (Note 10)

Bonds and notes payable (Note 10)

Capital lease obligations (Notes 9 and 10)

Workers' compensation (Notes 10 and 17)

Litigation and self-insurance (Notes 10 and 17)

OPEB obligation (Notes 8 and 10)

Third party payor liability (Notes 10 and 13)

Total noncurrent liabilities

TOTAL LIABILITIES

NET ASSETS

Invested in capital assets, net of related debt
(Notes 6 and 10)

Restricted:

Debt service

Public ways and facilities

Community development commission

Unrestricted (deficit)

TOTAL NET ASSETS (DEFICIT) (Note 3)

Adjustment to reflect the consolidation of internal
service fund activities related to enterprise funds

NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE 23)

COUNTY OF LOS ANGELES
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. Ambulatory Care Center	Rancho Los Amigos National Rehab Center
OPERATING REVENUES:					
Net patient service revenues (Note 13)	\$ 549,342	409,671	971,546	96,945	182,434
Rentals					
Charges for services					
Other (Note 13)	76,007	41,641	199,757	75,351	30,851
TOTAL OPERATING REVENUES	625,349	451,312	1,171,303	172,296	213,285
OPERATING EXPENSES:					
Salaries and employee benefits	461,958	346,778	806,525	115,447	159,751
Services and supplies	116,712	57,730	220,068	29,740	26,732
Other professional services	132,796	122,448	322,479	65,098	37,086
Depreciation and amortization (Note 6)	4,170	5,683	26,852	4,176	3,119
Medical malpractice	4,219	1,917		210	2,926
Rent	5,629	3,932	6,318	996	1,802
TOTAL OPERATING EXPENSES	725,484	538,488	1,382,242	215,667	231,416
OPERATING LOSS	(100,135)	(87,176)	(210,939)	(43,371)	(18,131)
NONOPERATING REVENUES (EXPENSES):					
Taxes					
Interest income	376	190	936	116	36
Interest expense	(22,757)	(6,991)	(7,765)	(3,469)	(3,494)
Intergovernmental transfers expense (Note 13)	(102,398)	(62,237)	(210,911)		(27,219)
Intergovernmental revenues:					
State					
Federal					
Other					
TOTAL NONOPERATING REVENUES (EXPENSES)	(124,779)	(69,038)	(217,740)	(3,353)	(30,677)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(224,914)	(156,214)	(428,679)	(46,724)	(48,808)
Capital contributions	1,723	781			60
Transfers in (Note 14)	221,348	157,933	411,815	109,353	55,661
Transfers out (Note 14)	(62,255)	(31,726)			(6,220)
CHANGE IN NET ASSETS	(64,098)	(29,226)	(16,864)	62,629	693
TOTAL NET ASSETS (DEFICIT), JULY 1, 2010	(240,260)	(75,411)	357,359	(62,629)	(31,559)
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2011	\$ (304,358)	(104,637)	340,495		(30,866)

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
\$		\$ 2,209,938	\$	OPERATING REVENUES:
	14,302	14,302	27,933	Net patient service revenues (Note 13)
57,747	380	58,127	443,077	Rentals
118	822	424,547		Charges for services
				Other (Note 13)
57,865	15,504	2,706,914	471,010	TOTAL OPERATING REVENUES
		1,890,459	387,208	OPERATING EXPENSES:
58,450	285,494	794,926	53,068	Salaries and employee benefits
2,693	620	683,220	32,709	Services and supplies
22,443	2,536	68,979	33,315	Other professional services
		9,272		Depreciation and amortization (Note 6)
		18,677		Medical malpractice
				Rent
83,586	288,650	3,465,533	506,300	TOTAL OPERATING EXPENSES
(25,721)	(273,146)	(758,619)	(35,290)	OPERATING LOSS
				NONOPERATING REVENUES (EXPENSES):
4,265		4,265		Taxes
411	77	2,142	193	Interest income
(6)	(56)	(44,538)	(2,498)	Interest expense
		(402,765)		Intergovernmental transfers expense (Note 13)
				Intergovernmental revenues:
21	4	25		State
192	285,628	285,820	1,400	Federal
5		5		Other
4,888	285,653	(155,046)	(905)	TOTAL NONOPERATING REVENUES (EXPENSES)
(20,833)	12,507	(913,665)	(36,195)	INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS
	437	3,001		Capital contributions
	132	956,242	18,397	Transfers in (Note 14)
(144)		(100,345)	(3,456)	Transfers out (Note 14)
(20,977)	13,076	(54,767)	(21,254)	CHANGE IN NET ASSETS
871,379	262,132		(113,169)	TOTAL NET ASSETS (DEFICIT), JULY 1, 2010
\$ 850,402	275,208		\$ (134,423)	TOTAL NET ASSETS (DEFICIT), JUNE 30, 2011
		(690)		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		\$ (55,457)		CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE 25)

COUNTY OF LOS ANGELES
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. Ambulatory Care Center	Rancho Los Amigos National Rehab Center
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from patient services	\$ 520,873	363,087	970,513	62,641	179,643
Rentals received					
Cash received from charges for services					
Other operating revenues	76,019	41,643	199,763	75,353	30,856
Cash received for services provided to other funds	7,544	10,052	22,990	7,475	788
Cash paid for salaries and employee benefits	(419,593)	(309,391)	(743,934)	(114,130)	(145,549)
Cash paid for services and supplies	(86,635)	(76,241)	(229,755)	(12,038)	(22,431)
Other operating expenses	(147,654)	(127,786)	(331,880)	(66,712)	(41,253)
Cash paid for services from other funds	(31,154)	(25,586)	(69,499)	(19,238)	(11,518)
Net cash provided by (required for) operating activities	(80,600)	(124,222)	(181,802)	(66,649)	(9,464)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash advances received from other funds	383,044	291,204	772,144	146,868	143,219
Cash advances paid/returned to other funds	(380,252)	(255,500)	(777,385)	(128,762)	(149,899)
Interest paid on pension bonds	(1,069)	(927)	(2,804)	(1,191)	(769)
Interest paid on advances	(1,495)	(1,376)	(3,172)	(596)	(695)
Intergovernmental transfers	(102,398)	(62,237)	(210,911)		(27,219)
Intergovernmental receipts					
Transfers in	221,348	157,933	411,815	58,100	55,661
Transfers out	(11,002)	(31,726)			(6,220)
Net cash provided by noncapital financing activities	108,176	97,371	189,687	74,419	14,078
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from taxes					
Capital contributions					
Proceeds from bonds and notes	393,689	82,368	89,048	7,256	2,919
Interest paid on capital borrowing	(3,530)	(1,408)	(1,923)	(2,010)	(2,377)
Principal payments on bonds and notes	(140,757)	(44,865)	(58,994)	(18,484)	(6,508)
Principal payments on capital leases					
Acquisition and construction of capital assets	(57,370)	(10,128)	(1,851)	(5,472)	(1,558)
Net cash provided by (required for) capital and related financing activities	192,032	25,967	26,280	(18,710)	(7,524)
CASH FLOWS FROM INVESTING ACTIVITIES -					
Interest income received	201	188	860	116	35
Net increase (decrease) in cash and cash equivalents	219,809	(696)	35,025	(10,824)	(2,875)
Cash and cash equivalents, July 1, 2010	40,925	21,466	30,116	10,824	5,864
Cash and cash equivalents, June 30, 2011	\$ 260,734	20,770	65,141		2,989

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
\$		\$ 2,096,757	\$	CASH FLOWS FROM OPERATING ACTIVITIES:
	13,555	13,555	27,679	Cash received from patient services
58,382	4,397	62,779	33,960	Rentals received
118	822	424,574		Cash received from charges for services
		48,849	393,983	Other operating revenues
	(22,119)	(1,754,716)	(355,956)	Cash received for services provided to other funds
(58,104)	(263,998)	(749,202)	(54,464)	Cash paid for salaries and employee benefits
(2,693)	(620)	(718,598)	(32,709)	Cash paid for services and supplies
		(156,995)		Other operating expenses
				Cash paid for services from other funds
(2,297)	(267,963)	(732,997)	12,493	Net cash provided by (required for) operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:
	3,500	1,739,979		Cash advances received from other funds
		(1,691,798)		Cash advances paid/returned to other funds
		(6,760)	(1,304)	Interest paid on pension bonds
		(7,334)		Interest paid on advances
		(402,765)		Intergovernmental transfers
218	286,941	287,159	1,400	Intergovernmental receipts
	132	904,989	18,397	Transfers in
(144)		(49,092)	(3,456)	Transfers out
74	290,573	774,378	15,037	Net cash provided by noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:
4,250		4,250		Proceeds from taxes
	437	437		Capital contributions
	43,716	618,996	62,000	Proceeds from bonds and notes
(6)	(56)	(11,310)	(1,072)	Interest paid on capital borrowing
(21)	(350)	(269,979)	(14,680)	Principal payments on bonds and notes
			(32)	Principal payments on capital leases
(21,873)	(25,577)	(123,829)	(68,924)	Acquisition and construction of capital assets
(17,650)	18,170	218,565	(22,708)	Net cash provided by (required for) capital and related financing activities
				CASH FLOWS FROM INVESTING ACTIVITIES -
467	66	1,933	175	Interest income received
				Net increase (decrease) in cash and cash equivalents
(19,406)	40,846	261,879	4,997	
64,020	28,346	201,561	55,943	Cash and cash equivalents, July 1, 2010
\$ 44,614	69,192	\$ 463,440	\$ 60,940	Cash and cash equivalents, June 30, 2011

Continued...

COUNTY OF LOS ANGELES
 STATEMENT OF CASH FLOWS - Continued
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. Ambulatory Care Center	Rancho Los Amigos National Rehab Center
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:					
Operating loss	\$ (100,135)	(87,176)	(210,939)	(43,371)	(18,131)
Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:					
Depreciation and amortization	4,170	5,683	26,852	4,176	3,119
Other revenues (expenses) - net	16,607	(24,665)	(297)	(8,691)	(90)
(Increase) decrease in:					
Accounts receivable - net	(49,842)	(67,879)	(71,608)	(14,194)	(20,172)
Other receivables	243	(1,225)	1,259	77	(58)
Due from other funds	17,925	32,696	40,873	9,084	6,965
Inventories	(1)	(83)	(190)	(217)	(60)
Net pension obligation	2,109	1,829	5,537	2,350	1,518
Increase (decrease) in:					
Accounts payable	(955)	1,663	6,894	(658)	166
Accrued payroll	410	483	377	(23)	87
Other payables	32	84	160	(71)	(10)
Accrued vacation and sick leave	774	342	(647)	(225)	(68)
Due to other funds	(16,716)	(21,010)	(85,587)	8,032	(7,228)
Unearned revenue			(153)		
Pension bonds payable	(14,096)	(12,229)	(37,015)	(15,709)	(10,147)
Workers' compensation liability	(1,353)	(1,190)	(8,905)	(3,279)	(737)
Litigation and self-insurance liability	(5,010)	511	(3,083)	(408)	561
OPEB obligation	56,021	48,068	103,084	16,296	23,559
Third party payor liability	9,217	(124)	51,586	(19,818)	11,262
TOTAL ADJUSTMENTS	19,535	(37,046)	29,137	(23,278)	8,667
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	<u>\$ (80,600)</u>	<u>(124,222)</u>	<u>(181,802)</u>	<u>(66,649)</u>	<u>(9,464)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-					
Assets acquired from capital leases	\$				
Capital contributions	1,723	781			60
TOTAL	<u>\$ 1,723</u>	<u>781</u>			<u>60</u>
NONCASH NON-CAPITAL FINANCING ACTIVITIES-					
Transfers between MLK Ambulatory Care Center and Harbor-UCLA Medical Center	<u>\$ (51,253)</u>			<u>51,253</u>	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:					
Pooled cash and investments	\$ 11,687	9,644	21,355		2,145
Other investments					
Restricted assets	249,047	11,126	43,786		844
TOTAL	<u>\$ 260,734</u>	<u>20,770</u>	<u>65,141</u>		<u>2,989</u>

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:
\$ (25,721)	(273,146)	\$ (758,619)	\$ (35,290)	Operating loss
				Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:
22,443	2,536	68,979	33,315	Depreciation and amortization
30	(50)	(17,156)	(1,222)	Other revenues (expenses) - net
				(Increase) decrease in:
(10,405)	(8,219)	(242,319)		Accounts receivable - net
8,933	11,764	20,993	(1,867)	Other receivables
2,105	4	109,652	(12,766)	Due from other funds
(3)		(554)	61	Inventories
		13,343	2,576	Net pension obligation
				Increase (decrease) in:
(502)	(923)	5,685	(1,208)	Accounts payable
		1,334	336	Accrued payroll
	(260)	(65)	19	Other payables
	(76)	100	120	Accrued vacation and sick leave
821	1,452	(120,236)	(7,423)	Due to other funds
2	(279)	(430)	(415)	Unearned revenue
		(89,196)	(17,210)	Pension bonds payable
		(15,464)	(2,809)	Workers' compensation liability
	(766)	(8,195)	605	Litigation and self-insurance liability
		247,028	55,671	OPEB obligation
		52,123		Third party payor liability
23,424	5,183	25,622	47,783	TOTAL ADJUSTMENTS
\$ (2,297)	(267,963)	\$ (732,997)	\$ 12,493	NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
				NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-
\$		\$	\$ 154	Assets acquired from capital leases
		2,564		Capital contributions
\$		\$ 2,564	\$ 154	TOTAL
				NONCASH NON-CAPITAL FINANCING ACTIVITIES-
\$		\$	\$	Transfers between MLK Ambulatory Care Center and Harbor-UCLA Medical Center
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:
\$ 44,614	7,398	\$ 96,843	\$ 32,454	Pooled cash and investments
	61,794	61,794	8,655	Other investments
		304,803	19,831	Restricted assets
\$ 44,614	69,192	\$ 463,440	\$ 60,940	TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS			
Pooled cash and investments (Note 5)	\$ 57,088	\$ 16,103,099	\$ 1,304,177
Other investments: (Note 5)		67,391	302
Stocks	20,454,549		
Bonds	9,648,959		
Short-term investments	1,355,772		
Commodities	1,004,662		
Real estate	3,316,258		
Mortgages	174,476		
Alternative assets	3,975,579		
Cash collateral on loaned securities	1,693,349		
Taxes receivable			668,952
Interest receivable	134,088	48,507	13,069
Other receivables	914,250		
TOTAL ASSETS	<u>42,729,030</u>	<u>16,218,997</u>	<u>\$ 1,986,500</u>
LIABILITIES			
Accounts payable	1,523,681		
Other payables (Note 5)	1,753,338	577,833	
Due to other governments			1,986,500
TOTAL LIABILITIES	<u>3,277,019</u>	<u>577,833</u>	<u>\$ 1,986,500</u>
NET ASSETS			
Held in trust for pension benefits and investment trust participants	<u>\$ 39,452,011</u>	<u>\$ 15,641,164</u>	

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS
ADDITIONS:		
Contributions:		
Pension trust contributions:		
Employer	\$ 944,174	\$
Member	463,743	
Contributions to investment trust funds		39,728,870
Total contributions	1,407,917	39,728,870
Investment earnings:		
Investment income	1,579,009	107,485
Net increase in the fair value of investments	5,426,883	
Securities lending income (Note 5)	6,468	
Total investment earnings	7,012,360	107,485
Less - Investment expenses:		
Expense from investing activities	79,642	
Expense from securities lending activities (Note 5)	2,360	
Total net investment expense	82,002	
Net investment earnings	6,930,358	107,485
Miscellaneous	591	
TOTAL ADDITIONS	8,338,866	39,836,355
DEDUCTIONS:		
Salaries and employee benefits	37,173	
Services and supplies	13,432	
Benefit payments	2,247,073	
Distributions from investment trust funds		40,422,311
Miscellaneous	23,065	
TOTAL DEDUCTIONS	2,320,743	40,422,311
CHANGE IN NET ASSETS	6,018,123	(585,956)
NET ASSETS HELD IN TRUST, JULY 1, 2010	33,433,888	16,227,120
NET ASSETS HELD IN TRUST, JUNE 30, 2011	\$ 39,452,011	\$ 15,641,164

The notes to the basic financial statements are an integral part of this statement.



COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County of Los Angeles (County), which was established in 1852, is a legal subdivision of the State of California (State) charged with general governmental powers. The County's powers are exercised through an elected five member Board of Supervisors (Board) which, as the governing body of the County, is responsible for the legislative and executive control of the County. As required by the Governmental Accounting Standards Board (GASB), these basic financial statements include both those of the County and its component units. The component units discussed below are included primarily because the Board is financially accountable for them.

Blended Component Units

County management has determined that the following related entities should be included in the basic financial statements as blended component units:

Fire Protection District	Garbage Disposal Districts
Flood Control District	Sewer Maintenance Districts
Street Lighting Districts	Waterworks Districts
Improvement Districts	Los Angeles County Capital Asset Leasing
Community Development	Corporation (a Non Profit Corporation) (NPC)
Commission (including the	Various Joint Powers Authorities (JPAs)
Housing Authority of the	Los Angeles County Employees
County of Los Angeles) (CDC)	Retirement Association (LACERA)
Regional Park and Open Space District	Los Angeles County Securitization Corporation
	(LACSC)

Although they are separate legal entities, the various districts and the CDC are included primarily because the Board is also their governing board. As such, the Board establishes policy, appoints management and exercises budgetary control. The NPC and JPAs have been included because their sole purpose is to finance and construct County capital assets and because they are dependent upon the County for funding. Blended component units are those that, because of the closeness of the relationship with the primary government, should be blended in the basic financial statements as though they are part of the primary government. LACERA is reported in the Pension Trust Fund of the basic financial statements and has been included because its operations are dependent upon County funding and because its operations, almost exclusively, benefit the County.

The LACSC is a California public benefit corporation created by the County Board of Supervisors in January 2006. Three directors, the County's Auditor-Controller, Treasurer and Tax Collector, and an independent party designated by at least one of the County directors, govern the LACSC. The LACSC purpose is to acquire the County's rights in relation to future tobacco settlement payments and to facilitate the issuance of long-term bonds secured by the County Tobacco Assets. The LACSC provides service solely to the County and is reported as a blended component unit of the County.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Discretely Presented Component Unit

First 5 LA (First 5), was established by the County as a separate legal entity to administer the County's share of tobacco taxes levied by the State pursuant to Proposition 10. The County's Board established First 5 with nine voting members and four non-voting representatives. Of the nine voting members, one is a member of the Board of Supervisors, two are heads of County Departments (Public Health Services and Mental Health), one is an early childhood education expert, and five are public members appointed by the Board. The non-voting representatives are from other County commissions and planning groups.

First 5 services are focused on the development and well-being of all children, from the prenatal stage until age five. First 5 is a component unit of the County because the County's Board appoints the voting Commissioners and the County has the ability to impose its will by removing those Commissioners at will. It is discretely presented because its governing body is not substantially the same as the County's governing body and it does not provide services entirely or exclusively to the County.

Component Unit Financial Statements

Separate financial statements or additional financial information for each of the component units may be obtained from the Auditor-Controller at 500 West Temple Street, Room 525, Los Angeles, California 90012.

Government-wide Financial Statements

The statement of net assets and statement of activities display information about the primary government, the County, and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities, except for services provided among funds (other than internal service funds). These statements distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs. Grants and contributions that are restricted to meeting the operational or capital requirements of a particular program are also recognized as program revenues. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements-Continued

Net assets are classified into the following three categories: 1) invested in capital assets, net of related debt; 2) restricted and 3) unrestricted. Net assets are reported as restricted when they have external restrictions imposed by creditors, grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2011, the restricted net assets balances were \$2.93 billion and \$122.22 million for governmental activities and business-type activities, respectively. For governmental activities, \$683.25 million was restricted by enabling legislation.

When both restricted and unrestricted net assets are available, restricted resources are used first and then unrestricted resources are used to the extent necessary.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

General Fund

The General Fund is available for any authorized purpose and is used to account for and report all financial resources not accounted for and reported in another fund.

Fire Protection District Fund

The Fire Protection District Fund is used to account for fire prevention and suppression, rescue service, management of hazardous materials incidents, ocean lifeguard services, and acquisition and maintenance of District property and equipment. Funding comes primarily from the District's statutory share of the Countywide tax levy, voter-approved taxes and charges for services.

Flood Control District Fund

The Flood Control District Fund is used to account for the control and conservation of flood, storm and other waste waters, to conserve such waters for beneficial and useful purposes, and to protect the harbors, waterways, public highways and property located within the District from damage from such flood and storm waters. Funding comes primarily from the District's statutory share of the Countywide tax levy and benefit assessments (charges for services).

Public Library Fund

The Public Library Fund is used to account for free library services to the unincorporated areas of the County and to cities that contract for these services. Funding comes primarily from the District's statutory share of the Countywide tax levy and voter-approved taxes.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Regional Park and Open Space District Fund

The Regional Park and Open Space District Fund is used to account for the grant programs designed to preserve beaches, parks, and wild lands, to acquire and renovate new and existing recreational facilities, and to restore rivers, streams, and trails in the County. Funding comes primarily from voter-approved assessments, charges for services and long-term debt proceeds.

The County's major enterprise funds consist of five Hospital Funds and a Waterworks Enterprise Fund. The Hospital Enterprise funds provide health services to County residents. Revenues are principally patient service fees. Subsidies are also received from the General Fund. The Waterworks Enterprise Fund provides water services to County residents. Revenues are derived primarily from the sale of water and water service standby charges. A description of each Enterprise Fund is provided below:

Harbor-UCLA Medical Center

The Harbor-UCLA Medical Center (H/UCLA) provides acute and intensive care unit medical/surgical inpatient and outpatient services, trauma and emergency room services, acute psychiatric services, pediatric and obstetric services, and transplants.

Olive View-UCLA Medical Center

The Olive View-UCLA Medical Center (OV/UCLA) provides acute and intensive care, emergency services, medical/surgical inpatient and outpatient health care services, obstetric and gynecological services, and psychiatric services.

LAC+USC Medical Center

The LAC+USC Medical Center (LAC+USC) provides acute and intensive care unit medical/surgical inpatient and outpatient services, trauma and emergency room services, a burn center, psychiatric services, renal dialysis, AIDS services, pediatric and obstetric services, and communicable disease services.

Martin Luther King, Jr. Ambulatory Care Center

The Martin Luther King, Jr. Multi-Service Ambulatory Care Center (MLK-MACC), formerly known as Martin Luther King, Jr.-Harbor Hospital, provides urgent care services, comprehensive outpatient services, including, primary, specialty and subspecialty services in surgery, medicine, pediatrics, obstetrics, HIV/AIDS, and dental services. At the end of the current fiscal year, the MLK Ambulatory Care Center Enterprise Fund was merged with the Harbor-UCLA Medical Center Enterprise Fund.

Rancho Los Amigos National Rehabilitation Center

The Rancho Los Amigos National Rehabilitation Center (Rancho) specializes in the rehabilitation for victims of spinal cord injuries and strokes, pathokinesiology and polio services, services for liver diseases, pediatrics, ortho diabetes, dentistry, and neuro-science.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Waterworks Funds

The Waterworks Enterprise funds are used to account for the administration, maintenance, operation and improvement of district water systems.

The following fund types have also been reported:

Internal Service Funds

The Internal Service Funds are used to account for the financing of services provided by a department or agency to other departments or agencies on a cost-reimbursement basis. The County's principal Internal Service Fund is used to account for the cost of services provided by the Department of Public Works to various other County funds and agencies.

Fiduciary Fund Types

Pension Trust Fund

The Pension Trust Fund is used to account for financial activities of LACERA.

Investment Trust Funds

The Pooled Investment Trust Fund is used to account for net assets of the County's external investment pool.

The Specific Investment Trust Fund is used to account for the net assets of individual investment accounts, in aggregate. The related investment activity occurs separately from the County's investment pool and is provided as a service to external investors.

Agency Funds

The Agency Funds are used primarily to account for assets held by the County in an agency capacity pending transfer or distribution to individuals, private organizations, other governmental entities, and other funds. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds (including Clearing and Revolving Funds, Deposit Funds, Other Agency Funds, State and City Revenue Funds, and Tax Collection Funds) account for assets held by the County in an agency capacity for individuals or other government units.

Basis of Accounting

The government-wide, proprietary, pension and investment trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and similar items are recognized in the fiscal year in which all eligibility requirements have been satisfied.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers revenues to be available if collectible within one year after year-end, except for property taxes, which are considered available to the extent that they are collectible within 60 days after year-end. When property taxes are measurable but not available, the collectible portion (taxes levied less estimated uncollectibles) are recorded as deferred revenue in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims (including workers' compensation) and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital leases are reported as other financing sources.

For the governmental funds financial statements, revenues are recorded when they are susceptible to accrual. Specifically, property and sales taxes, investment income, and charges for services and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met. All other revenues are not considered susceptible to accrual and are recognized when received.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's five Hospital Enterprise Funds (Hospitals) are from patient services. The principal operating revenues for the Waterworks Enterprise Funds are from charges for services. The principal operating revenues for the County's Nonmajor Enterprise Funds and Internal Service Funds are charges for services and rental revenues. Operating expenses for all Enterprise Funds and the Internal Service Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. Medical malpractice expenses, which are self-insured, are classified as operating expenses of the Hospitals. All other revenues and expenses not meeting this definition are reported as nonoperating items. As discussed in Note 13, intergovernmental transfer payments are recorded in the Hospitals and this item is classified as a nonoperating expense.

Agency funds do not have a measurement focus because they report only assets and liabilities. They do however, use the accrual basis of accounting to recognize receivables and payables.

The County applies all applicable Financial Accounting Standards Board (FASB) statements and pronouncements of all predecessor entities issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in accounting and reporting for government-wide and proprietary fund financial statements. FASB statements issued after November 30, 1989, have not been applied unless specifically adopted in a GASB statement.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Budgetary Data

In accordance with the provisions of Sections 29000-29144 of the Government Code of the State of California (Government Code), commonly known as the County Budget Act, the County prepares and adopts a budget on or before October 2 for each fiscal year. Budgets are adopted for the major governmental funds and certain nonmajor governmental funds on a basis of accounting which is different from generally accepted accounting principles (GAAP). Annual budgets were not adopted for the JPAs, Public Buildings and the LACSC debt service funds, the capital project funds and the permanent funds.

The County budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board of Supervisors. Within the General Fund (with certain exceptions), budget units are generally defined as individual departments. For other funds, each individual fund constitutes a budget unit. Expenditures are controlled on the object level for all budget units within the County, except for capital asset expenditures, which are controlled on the sub-object level. The total budget exceeds \$25 billion and is currently controlled through the use of approximately 400 separate budget units. There were no excesses of expenditures over the related appropriations within any fund for the year ended June 30, 2011. The County prepares a separate budgetary document, the County Budget, which demonstrates legal compliance with budgetary control.

Transfers of appropriations between budget units must be approved by the Board. Supplemental appropriations financed by unanticipated revenue during the year must also be approved by the Board. Transfers of appropriations between objects of expenditure within the same budget unit must be approved by the Board or the Chief Executive Office, depending upon the amount transferred. The original and final budget amounts are reported in the accompanying basic financial statements. Any excess of budgetary expenditures and other financing uses over revenues and other financing sources is financed by beginning available fund balances as provided for in the County Budget Act.

Note 15 describes the differences between the budgetary basis of accounting and GAAP. A reconciling schedule is also presented for the major governmental funds.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed at 100% of full cash or market value (with some exceptions) pursuant to Article XIII A of the California State Constitution and statutory provisions by the County Assessor and State Board of Equalization. The total 2010-2011 assessed valuation of the County of Los Angeles approximated \$1.055 trillion.

The property tax levy to support general operations of the various jurisdictions is limited to one percent (1%) of full cash value and is distributed in accordance with statutory formulae. Amounts needed to finance the annual requirements of voter-approved debt are excluded from this limitation and are separately calculated and levied each fiscal year. The rates are formally adopted by either the Board or the city councils and, in some instances, the governing board of a special district.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

The County is divided into 11,769 tax rate areas, which are unique combinations of various jurisdictions servicing a specific geographic area. The rates levied within each tax rate area vary only in relation to levies assessed as a result of voter-approved taxes or indebtedness.

Property taxes are levied on both real and personal property. Secured property taxes are levied during September of each year. They become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. These tax payments can be made in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, costs, and interest when paid. If the delinquent taxes are not paid at the end of five (5) years, the property may be sold at public auction. The proceeds are used to pay the delinquent amounts due, and any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payment and delinquent dates but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on August 1 and become delinquent, if unpaid, on August 31.

Deposits and Investments

In accordance with GASB Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the accompanying basic financial statements reflect the fair value of investments. Specific disclosures related to GASB 31 appear in Note 5.

Deposits and investments are reflected in the following asset accounts:

Pooled Cash and Investments

As provided for by the Government Code, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to participating funds based upon each fund's average daily deposit balance during the allocation period. Each respective fund's share of the total pooled cash and investments is included among asset balances under the caption "Pooled Cash and Investments."

Pooled Cash and Investments are identified within the following categories for all County operating funds:

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

Operating Pooled Cash and Investments

This account represents amounts reflected in the County's day-to-day financial records. Such amounts are utilized to determine the availability of cash for purposes of disbursing and borrowing funds.

Other Pooled Cash and Investments

This account represents amounts identified in various agency funds as of June 30, 2011 that were owed to or were more appropriately classified in County operating funds. Accordingly, certain cash balances have been reclassified from the agency funds as required by GASB Statement No. 34.

Other Investments

"Other Investments" represent Pension Trust Fund investments, investments of the CDC, various JPAs, NPCs and Public Buildings (bond financed capital assets), and amounts on deposit with the County Treasurer, which are invested separately as provided by the Government Code or by specific instructions from the depositing entity.

Restricted Assets

Enterprise Funds' restricted assets represent cash and investments of certain JPAs and Public Buildings projects restricted in accordance with the provisions of the certificates of participation issued. The Internal Service Funds' restricted assets represent cash and investments restricted for debt service in accordance with the provisions of the LAC-CAL bond indenture. All of the above noted assets are included in the various disclosures in Note 5. These restricted assets are presented as noncurrent assets and are generally associated with long-term bonds payable.

Inventories

Inventories, which consist of materials and supplies held for consumption, are valued at cost using the average cost basis. The inventory costs of the governmental funds are accounted for as expenditures when the inventory items are consumed. Reported inventories are categorized as nonspendable fund balance as required by GASB 54 because these amounts are not available for appropriation and expenditure.

Of the amounts reported as inventories in the governmental activities, \$32,926,000 represents land held for resale by the CDC. The CDC records land held for resale at the lower of cost or estimated net realizable value.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets

Capital assets, which include land and easements, buildings and improvements, equipment, intangible and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets are divided into the five following networks: road; water; sewer; flood control and aviation. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation. Certain buildings and equipment are being leased under capital leases as defined in FASB Statement No. 13. The present value of the minimum lease obligation has been capitalized in the statement of net assets and is also reflected as a liability in that statement.

Capital outlay is recorded as expenditures in the fund financial statements and as assets in the government-wide financial statements to the extent the County's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

The County's capitalization thresholds are \$5,000 for equipment, \$100,000 for buildings and improvements, \$1 million for software intangible assets, \$100,000 for non-software intangible assets, and \$25,000 for infrastructure assets. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation or amortization, as applicable, are removed from the respective accounts and any resulting gain or loss is included in the results of operations. Specific disclosures related to capital assets appear in Note 6. Amortization for software and other intangible assets is included in the reporting of depreciation.

Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Buildings and Improvements	10 to 50 years
Equipment	2 to 35 years
Software	5 to 25 years
Infrastructure	15 to 100 years

Works of art and historical treasures held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, encumbered, conserved, and preserved by the County. It is the County's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

Advances Payable

The County uses certain agency funds as clearing accounts for the distribution of financial resources to other County funds. Pursuant to GASB 34, for external financial reporting purposes, the portions of the clearing account balances that pertain to other County funds should be reported as cash of the appropriate funds. The corresponding liability is included in "Advances Payable."

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Vacation and Sick Leave Benefits

Vacation pay benefits accrue to employees ranging from 10 to 20 days per year depending on years of service and the benefit plan. Sick leave benefits accrue at the rate of 10 to 12 days per year for union represented employees depending on years of service. Non-represented employees accrue at a rate of up to 8 days per year depending on the benefit plan. All benefits are payable upon termination, if unused, within limits and rates as specified in the County Salary Ordinance.

Liabilities for accrued vacation and sick leave benefits are accrued in the government-wide financial statements and in the proprietary funds. For the governmental funds, expenditures are recorded when amounts become due and payable (i.e., when employees terminate from service).

Long-term Debt

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental funds financial statements, bond premiums, discounts, and issuance costs, are recognized in the period issued. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. Interest is reported as an expenditure in the period in which the related payment is made. The matured portion of long-term debt (i.e. portion that has come due for payment) is reported as a liability in the fund financial statements of the related fund.

Fund Balances

In the fund financial statements, the governmental funds report the classification of fund balance in accordance with GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." The reported fund balances are categorized as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Specific details related to Fund Balances appear in Note 19.

Nonspendable Fund Balance – amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories and long-term notes receivable.

Restricted Fund Balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only by changing the condition of the constraint.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Balances-Continued

Committed Fund Balance – amounts that can only be used for the specific purposes determined by a formal action of the County's highest level of decision-making authority, the County's Board. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally. The underlying action that imposed the limitation needs to occur no later than the close of the fiscal year.

Assigned Fund Balance – amounts intended to be used by the County for specific purposes that are neither restricted nor committed. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.

Unassigned Fund Balance – the residual classification for the County's General Fund that includes amounts not contained in other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Supervisors establishes, modifies, or rescinds fund balance commitments and assignments by passage of ordinance or resolution, respectively. This is done through the adoption of the budget and subsequent amendments that occur throughout the fiscal year.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Cash Flows

For purposes of reporting cash flows, all amounts reported as "Pooled Cash and Investments," "Other Investments", and "Restricted Assets" are considered cash equivalents. Pooled cash and investment amounts represent funds held in the County Treasurer's cash management pool. Other investments and restricted assets are invested in money market mutual funds held by outside trustees. Such amounts are similar in nature to demand deposits (i.e., funds may be deposited and withdrawn at any time without prior notice or penalty).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain prior year balances may have been reclassified in order to conform to current year presentation. These reclassifications have no effect upon reported net assets or fund balances.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

2. NEW PRONOUNCEMENTS

As discussed below, the County implemented the following Governmental Accounting Standards Board (GASB) Statements in the 2010-2011 fiscal year:

Government Accounting Standards Board Statement No. 54

For the fiscal year ended June 30, 2011, the County implemented GASB Statement No. 54 (GASB 54), "Fund Balance Reporting and Governmental Fund Type Definitions."

GASB 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied, and it clarifies the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in Notes 1 and 19.

GASB 54 also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. The definitions of the General Fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are also clarified by the provisions in this statement. There were no changes in fund types as a result of GASB 54.

Governmental Accounting Standards Board Statement No. 59

GASB Statement No. 59 (GASB 59), "Financial Instruments Omnibus", was implemented by the County for the year ended June 30, 2011. This statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. Except for LACERA, GASB 59 did not have an impact to the County's pooled and other investments. The County will apply GASB 59 as appropriate in the future.

LACERA implemented the provisions and disclosure requirements of GASB 59. The Pension Trust Fund excludes allocated insurance contracts and annuities from fair value as they have named beneficiaries. Also, the current practice on deposit and investment risk disclosures was amended to indicate that interest rate risk information should be disclosed only for debt investment pools. GASB 59 did not have an impact to LACERA's Financial Statements. The overall effect on the implementation of GASB 59 for LACERA was to provide additional information in the disclosure of allocated insurance contracts and annuities.

3. NET ASSET DEFICITS

The following funds had net asset deficits at June 30, 2011 (in thousands):

	<u>Accumulated Deficit</u>
Enterprise Funds:	
Harbor-UCLA Medical Center	\$ 304,358
Olive View-UCLA Medical Center	104,637
Rancho Los Amigos National Rehab Center	30,866
Internal Service Fund-	
Public Works	147,083

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

3. NET ASSET DEFICITS-Continued

The Enterprise and Internal Service Funds' deficits result primarily from the recognition of certain liabilities including accrued vacation and sick leave, Other Postemployment Benefits (OPEB) obligation, workers' compensation, self-insurance and, for the enterprise funds, medical malpractice and third party payor liabilities, as required by GAAP. Deficits are expected to continue until such liabilities are retired through user charges or otherwise funded.

4. ELIMINATIONS

The Regional Park and Open Space District (RPOSD), a blended component unit, is authorized to issue assessment bonds to acquire and improve recreational land and facilities. These bonds are secured by voter-approved property tax assessments. The RPOSD executed a financing agreement with the Public Works Financing Authority, another blended component unit referred to in the basic financial statements as "Joint Powers Authorities" (JPAs). Under the terms of the agreement, the RPOSD sold \$510,185,000 of bonds in 1997 that were acquired as an investment by the JPAs. The JPAs financed this investment from proceeds of a simultaneous issuance of an equivalent amount of bonds as a public offering. The structure of the publicly offered JPA bonds was designed to match the RPOSD's bonds relative to principal and interest maturities and interest rates. This series of transactions was conducted to facilitate the issuance of RPOSD related bonds and to minimize the County's overall interest cost. Pursuant to the financing agreement with the JPAs, the RPOSD has pledged all available tax assessments necessary to ensure the timely payment of principal and interest on the bonds issued by the JPAs. The 1997 bonds were partially refunded in 2004-2005 and the remaining 1997 bonds were fully refunded in 2007-2008. The transactions between the two component units have been accounted for as follows:

Fund Financial Statements

At June 30, 2011, the governmental fund financial statements reflect an investment asset (referred to as "Other Investments") held by the JPAs of \$197,285,000 that has been recorded in the Nonmajor Governmental Funds. The governmental fund financial statements do not reflect a liability for the related bonds payable (\$197,285,000), as this obligation is not currently due. Accordingly, the value of the asset represents additional fund balance in the Nonmajor Governmental Funds.

In order to reflect the economic substance of the transaction described above, an eliminations column has been established in the governmental fund financial statements. The purpose of the column is to remove the duplication of assets, fund balances, revenues and expenditures that resulted from the consolidation of the two component units into the County's overall financial reporting structure.

Government-wide Financial Statements

The government-wide financial statements are designed to minimize the duplicative effects of transactions between funds. Accordingly, the effects of the transaction described above have been eliminated from the amounts presented within governmental activities (as appropriate under the accrual basis of accounting). The specific items eliminated were other investments and bonds payable (\$197,285,000) and investment earnings and interest expense (\$10,515,000 for each). Accordingly, there are no reconciling differences between the two sets of financial statements (after the effects of eliminations) for this matter.

The bonds payable of \$197,285,000, that were publicly issued, are included among the liabilities presented in the Government-wide Financial Statements. Disclosures related to those outstanding bonds appear in Note 10 and are captioned "Assessment Bonds."

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

5. CASH AND INVESTMENTS

Investments in the County's cash and investment pool, other cash and investments, and Pension Trust Fund investments, are stated at fair value. Aggregate pooled cash and investments and other cash and investments are as follows at June 30, 2011 (in thousands):

	Pooled Cash and Investments	Other Investments	Restricted Assets		Total
			Pooled Cash and Investments	Other Investments	
Governmental Funds	\$ 5,175,482	\$ 508,367	\$	\$	\$ 5,683,849
Proprietary Funds	129,297	70,449	67,246	257,388	524,380
Fiduciary Funds (excluding Pension Trust Fund)	17,407,276	67,693			17,474,969
Pension Trust Fund	57,088	41,623,604			41,680,692
Component Unit	848,723				848,723
Total	<u>\$ 23,617,866</u>	<u>\$ 42,270,113</u>	<u>\$ 67,246</u>	<u>\$ 257,388</u>	<u>\$ 66,212,613</u>

Deposits-Custodial Credit Risk

The custodial credit risk for deposits is the risk that the County will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or not collateralized.

At June 30, 2011, the carrying amount of the County's deposits was \$121,622,000 and the balance per various financial institutions was \$119,539,000. The County's deposits are not exposed to custodial credit risk since all of its deposits are either covered by federal depository insurance or collateralized with securities held by the County or its agent in the County's name, in accordance with California Government Code Section 53652.

At June 30, 2011, the carrying amount of Pension Trust Fund deposits was \$160,223,000. Pension Trust Fund deposits are held in the Fund's custodial bank and, therefore, are not exposed to custodial credit risk since its deposits are eligible for and covered by "pass through insurance" in accordance with applicable law and FDIC rules and regulations.

Investments

State statutes authorize the County to invest pooled funds in certain types of investments including obligations of the United States Treasury, federal, State and local agencies, municipalities, asset-backed securities, mortgaged-backed securities, bankers' acceptances, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, negotiable certificates of deposits, medium-term notes, corporate notes, repurchase agreements, reverse repurchase agreements, floating rate notes, time deposits, shares of beneficial interest of a Joint Powers Authority that invests in authorized securities, shares of beneficial interest issued by diversified management companies known as money market mutual funds (MMF) registered with the Securities and Exchange Commission, State and local agency investment funds, mortgage pass-through securities, and guaranteed investment contracts. The investments are managed by the County Treasurer who reports on a monthly basis to the Board of Supervisors. In addition, Treasury investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial reviews, and annual financial reporting.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

5. CASH AND INVESTMENTS-Continued

Investments-Continued

As permitted by the Government Code, the County Treasurer developed, and the Board adopted, an Investment Policy that further defines and restricts the limits within which the County Treasurer may invest. The table below identifies the investment types that are authorized by the County, along with the related concentration of credit limits:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Notes, Bills and Bonds	None	None	None
U.S. Agency Securities	None	None	None
Local Agency Obligations	5 years	10%*	10%*
Bankers' Acceptances	180 days	40%	\$500 million*
Commercial Paper	270 days	40%	\$750 million*
Certificates of Deposit	3 years*	30%	\$500 million*
Corporate Medium-Term Notes	3 years*	30%	\$500 million*
Repurchase Agreements	30 days*	\$1 billion*	\$500 million*
Reverse Repurchase Agreements	92 days	\$500 million*	\$250 million*
Securities Lending Agreements	92 days	20%*	None
Money Market Mutual Funds	NA	15%*	10%
State of California's Local Agency Fund (LAIF)	N/A	\$50 million**	None
Asset-Backed Securities	5 years	20%	\$500 million*

*Represents restriction in which the County's Investment Policy is more restrictive than the California Government Code.

**The maximum percentage of portfolio is based on the investment limit established by LAIF for each account, not by Pool Policy.

Investments held by the County Treasurer are stated at fair value, except for certain non-negotiable securities that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates such as repurchase agreements, money market mutual funds, mortgage trust deeds, Los Angeles County securities, guaranteed investment contracts and investments in the Local Agency Investment Fund. The fair value of pooled investments is determined and provided by the custodian bank based on quoted market prices at month-end. The method used to determine the value of participants' equity withdrawn is based on the book value, which is amortized cost, of the participants' percentage participation at the date of such withdrawals.

At June 30, 2011, the County had open trade commitments with various brokers to purchase investments totaling \$1,527,852,000 with settlement dates subsequent to year-end. These investments have been included in Pooled Cash and Investments-Other and corresponding liabilities have been recorded as Other Payables.

The Pension Trust Fund is managed by LACERA. Pension Trust Fund investments are authorized by State Statutes which are referred to as the "County Employees' Retirement Law of 1937." Statutes authorize a "Prudent Expert" guideline as to form and types of investments which may be purchased. Examples of the Fund's investments are obligations of the various agencies of the federal government, corporate and private placement bonds, global bonds, domestic and global stocks, domestic and global convertible debentures and real estate. LACERA's investment policy also allows the limited use of derivatives by certain investment managers. The classes of derivatives that are permitted are futures contracts, currency forward contracts, options, and swaps.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

5. CASH AND INVESTMENTS-Continued

Investments-Continued

The interest rate risk, foreign currency risk, credit risk, concentration of credit risk, and custodial credit risk related to Pension Trust Fund investments are different than the corresponding risk on investments held by the County Treasurer. Detailed deposit and investment risk disclosures are included in Note G and Note I of LACERA's Report on Audited Financial Statements for the year ended June 30, 2011.

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty-four percent (84%) of the Treasurer's external investment pool consists of these involuntary participants. Voluntary participants in the County's external investment pool include the Sanitation Districts, Metropolitan Transportation Authority, the South Coast Air Quality Management District and other special districts with independent governing boards. The deposits held for both involuntary and voluntary entities are included in the External Pooled Investment Trust Fund. Certain Specific Purpose Investments (SPI) have been made by the County, as directed by external depositors. This investment activity occurs separately from the County's investment pool and is reported in the Specific Investment Trust Fund. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer must follow.

County pooled and other investments (excluding Pension Trust Fund other investments) at June 30, 2011 (in thousands) are as follows:

	Fair Value
U.S. Agency securities	\$ 11,833,261
U.S. Treasury securities	1,738,746
Negotiable certificates of deposit	3,125,165
Commercial paper	6,767,119
Corporate and deposit notes	657,622
Bankers' acceptances	24,997
Municipal bonds	5,165
Los Angeles County securities	77,000
Money market mutual funds	107,492
Local Agency Investment Fund	63,610
Mortgage trust deeds	499
Other	55,786
Cash with Trustee	<u>10,925</u>
Total	<u>\$ 24,467,387</u>

Pension Trust Fund investments are reported in the basic financial statements at fair value at June 30, 2011 (in thousands) and are as follows:

	Fair Value
Domestic and international equity	\$ 21,987,675
Fixed income	11,179,207
Real estate	3,316,258
Private equity	3,975,579
Commodities	<u>1,004,662</u>
Total	<u>\$ 41,463,381</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

5. CASH AND INVESTMENTS-Continued

Investments-Continued

The Pension Trust Fund also had deposits with the Los Angeles County Treasury Pool at June 30, 2011 totaling \$57,088,000. The Pension Trust Fund portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the U.S. Government) that represents 5% or more of total investments.

The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2011 to support the value of shares in the Treasurer's investment pool.

Fair value fluctuates with interest rates, and increasing rates could cause fair value to decline below original cost. County management believes the liquidity in the portfolio is more than adequate to meet cash flow requirements and to preclude the County from having to sell investments below original cost for that purpose.

A summary of deposits and investments held by the Treasurer's Pool is as follows (in thousands):

	<u>Fair Value</u>	<u>Principal</u>	<u>Interest Rate % Range</u>	<u>Maturity Range</u>	<u>Weighted Average Maturity (Years)</u>
U. S. Agency securities	\$ 11,788,428	\$ 11,787,368	0.25%-7.88%	07/01/11-07/22/16	3.16
U.S. Treasury securities	1,738,336	1,733,068	0.24%-4.75%	09/22/11-06/30/16	0.95
Negotiable certificates of deposit	3,125,165	3,125,110	0.12%-0.80%	07/01/11-04/20/12	0.15
Commercial paper	6,767,119	6,767,414	0.12%-0.25%	07/01/11-08/22/11	0.06
Corporate and deposit notes	647,368	643,881	0.14%-6.38%	07/20/11-01/08/13	0.60
Los Angeles County securities	77,000	77,000	0.51%-0.68%	06/30/12-06/30/13	1.81
Bankers' acceptances	24,997	24,996	0.24%	07/25/11	0.07
Deposits	<u>80,205</u>	<u>80,205</u>			
	<u>\$ 24,248,618</u>	<u>\$ 24,239,042</u>			

A summary of other (non-pooled) deposits and investments, excluding the Pension Trust Fund, is as follows (in thousands):

	<u>Fair Value</u>	<u>Principal</u>	<u>Interest Rate % Range</u>	<u>Maturity Range</u>	<u>Weighted Average Maturity (Years)</u>
Local Agency Investment Fund	\$ 63,610	\$ 63,510	0.00% - 12.50%	07/01/11-08/25/37	0.65
Corporate and deposit notes	10,254	10,254		09/21/15-11/09/15	4.29
Mortgage trust deeds	499	499	2.25% - 5.50%	08/01/12-04/01/17	3.44
Municipal bonds	5,165	5,165	5.00%	09/02/21	10.18
U.S. Agency securities	44,833	44,806	0.04% - 2.77%	07/01/11-03/22/16	3.36
U.S. Treasury bonds	107	86	7.25%	05/15/16	4.88
U.S. Treasury notes	1	1	4.88%	07/31/11	0.08
U.S. Treasury bills	302	302	0.10%	12/08/11	0.44
Money market mutual funds	107,492	107,492	0.01% - 0.21%	07/01/11-05/16/12	0.23
Other	55,786	55,786			
Cash with Trustee	10,925	10,925			
Deposits	<u>41,417</u>	<u>41,417</u>			
	<u>\$ 340,391</u>	<u>\$ 340,243</u>			

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

5. CASH AND INVESTMENTS-Continued

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County's Investment policy limits most investment maturities to three years, with the exception of commercial paper and bankers' acceptances which are limited to 270 days and 180 days, respectively. In addition, U.S. Treasury Notes, Bills, and Bonds may have maturities beyond five years. The County Treasurer manages equity and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding all investments to maturity. The County's investment guidelines limit the weighted average maturity of its portfolios to a target of less than 1.5 years. Of the Pooled Cash and Investments and Other Investments at June 30, 2011, 52.61% have a maturity of six months or less, 9.39% have a maturity of between six and twelve months, and 38% have a maturity of more than one year.

As of June 30, 2011, variable-rate notes comprised 1.23% of the Treasury Pool and Other Investment portfolios. The notes are tied to one-month and three-month London Interbank Offered Rate (LIBOR) with monthly and quarterly coupon resets. The fair value of variable-rate coupon resets back to the market rate on a periodic basis. Effectively, at each reset date, a variable-rate investment reprices back to par value, eliminating interest rate risk at each periodic reset.

Custodial Credit Risk

Custodial credit risk for investments is the risk that the County will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the County are deposited in trust for safekeeping with a custodial bank different from the County's primary bank, except for Bond Anticipation Notes, certain long-term debt proceeds issued by Los Angeles County entities, investment in the State's Local Agency Investment Fund, and mortgage trust deeds which are held in the County Treasurer's vault. Securities are not held in broker accounts. At June 30, 2011, the County's external investment pools and specific investments did not have any securities exposed to custodial credit risk and there was no securities lending.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County Treasurer mitigates these risks by holding a diversified portfolio of high quality investments.

The County's investment policy establishes minimum acceptable credit ratings for investments from any two Nationally Recognized Statistical Rating Organizations (NRSROs). For an issuer of short-term debt, the rating must be no less than A-1 (S&P) or P-1 (Moody's) while an issuer of long-term debt shall be rated no less than an "A." All investments purchased in the fiscal year met the credit rating criteria in the Investment Policy, at the issuer level. While the NRSROs rated the issuer of the investments purchased, it did not in all instances rate the investment itself (e.g. commercial paper, corporate and deposit notes, and negotiable certificates of deposit). For purposes of reporting credit quality distribution of investments in the following table, some investments are reported as not rated. At June 30, 2011, a portion of the County's other investments was invested in the State of California's Local Agency Investment Fund which is unrated as to credit quality.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

The County's Investment Policy, approved annually by the Board of Supervisors, limits the maximum total par value for each permissible security type (e.g., commercial paper and certificates of deposit) to a certain percentage of the investment pool. Exceptions to this are obligations of the United States government and United States government agencies or government-sponsored enterprises, which do not have limits. Further, the County restricts investments in any one issuer based on the issuer's Nationally Recognized Statistical Rating Organization (NRSRO) ratings. For bankers' acceptances, certificates of deposit, corporate notes and floating rate notes, the highest issuer limit was \$500 million, approximately 2.21% of the investment pool's daily investment balance. For commercial paper, the highest issuer limit was \$750 million, or 3.32% of the investment pool's daily investment balance.

The Pool and SPI had the following U.S. Agency securities in a single issuer that represent 5 percent or more of total investments at June 30, 2011 (in thousands):

<u>Issuer</u>	<u>Pool</u>
Federal Farm Credit Bank	\$ 2,003,437
Federal Home Loan Bank	3,511,507
Federal Home Loan Mortgage Corp	3,006,301
Federal National Mortgage Association	3,259,337

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each portfolio's fair value at June 30, 2011:

	<u>S & P</u>	<u>Moody's</u>	<u>% of Portfolio</u>
Pooled Cash and Investments:			
Commercial paper	Not Rated	Not Rated	28.00%
Corporate and deposit notes			
	AA	Aa1	0.35%
	A+	Aa3	0.04%
	AA+	Aa2	0.73%
	AA+	Aa3	0.22%
	AA-	Aa3	0.27%
	Not Rated	Not Rated	1.07%
Bankers' Acceptances	Not Rated	Not Rated	0.10%
Los Angeles County securities	A+	A1	0.32%
Negotiable certificates of deposit	Not Rated	Not Rated	12.93%
U.S. Agency securities	AAA	Aaa	47.33%
	Not Rated	Not Rated	1.45%
U.S. Treasury securities	Not Rated	Aaa	5.25%
	Not Rated	Not Rated	1.94%
			<u>100.00%</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

Other Investments:

Local Agency Investment Fund	Not Rated	Not Rated	21.28%
Corporate and deposit notes	Not Rated	Not Rated	3.43%
Mortgage trust deeds	AA-	Aa2	0.17%
Municipal bonds	AA-	Aa2	1.73%
U.S. Agency securities	AAA	Aaa	4.91%
	AAA	Not Rated	10.07%
	Not Rated	Not Rated	0.01%
U.S. Treasury securities	Not Rated	Aaa	0.01%
	Not Rated	Not Rated	0.13%
Money market mutual funds	AAA	Aaa	9.42%
	Not Rated	Aaa-mf	1.72%
	Not Rated	Not Rated	24.81%
Other	Not Rated	Not Rated	<u>22.31%</u>
			<u>100.00%</u>

The earned yield, which includes net gains on investments sold, on all investments held by the Treasurer's Pool for the fiscal year ended June 30, 2011 was 1.34%.

A separate financial report is issued for the Treasurer's Pool. The most current report, as of June 30, 2010, is available on the Treasurer's website, and the report as of June 30, 2011, is in progress. The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2011 (in thousands):

Statement of Net Assets

Net assets held in trust for all pool participants	<u>\$ 24,248,618</u>
Equity of internal pool participants	\$ 8,675,120
Equity of external pool participants	<u>15,573,498</u>
Total equity	<u>\$ 24,248,618</u>

Statement of Changes in Net Assets

Net assets at July 1, 2010	\$ 23,588,130
Net change in investments by pool participants	<u>660,488</u>
Net assets at June 30, 2011	<u>\$ 24,248,618</u>

The unrealized gain on investments held in the Treasurer's Pool was \$9,576,000 as of June 30, 2011. This amount takes into account all changes in fair value (including purchases, sales and redemptions) that occurred during the year.

Reverse Repurchase Agreements

The California Government Code permits the County Treasurer to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the broker-dealer a margin against a decline in the fair value of the securities. If the broker-dealer defaults on the obligation to resell these securities to the County or provide securities or cash of equal value, the County would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

5. CASH AND INVESTMENTS-Continued

Reverse Repurchase Agreements-Continued

The County's investment guidelines limit the maximum par value of reverse repurchase agreements to \$500,000,000 and proceeds from reverse repurchase agreements may only be reinvested in instruments with maturities at or before the maturity of the reverse repurchase agreement. During the fiscal year, the County did not enter into any reverse repurchase agreements.

Floating Rate Notes

The California Government Code permits the County Treasurer to purchase floating rate notes, that is, any instruments that have a coupon interest rate that is adjusted periodically due to changes in a base or benchmark rate. The County's investment guidelines limit the amount of floating rate notes to 10% of the Los Angeles County Treasury Pool portfolio and prohibit the purchase of inverse floating rate notes and hybrid or complex structured investments. As of June 30, 2011, there were approximately \$297,000,000 in floating rate notes.

Derivatives

LACERA utilizes forward currency contracts to control currency exposure and facilitate the settlement of international security purchase and sale transactions. Included in net investment income are gains and losses from foreign currency transactions. At June 30, 2011, forward currency contracts receivable and payable totaled \$8,858,281,000 and \$8,910,819,000, respectively.

LACERA's Investment Policy Statement and Investment Manager Guidelines allow the limited use of other investment derivatives by certain investment managers. Detailed derivative disclosures are included in Note I of LACERA's Report on Audited Financial Statements for the year ended June 30, 2011.

Securities Lending Transactions

LACERA, as the administering agency for the Pension Trust Fund, is authorized to participate in a securities lending program under policies adopted by the LACERA Board of Investments. This program is an investment management activity that mirrors the fundamentals of a loan transaction in which a security is used as collateral. Securities are lent to brokers and dealers (borrowers) and LACERA receives cash as collateral. LACERA pays the borrower interest on the collateral received and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower.

LACERA's program is managed by one principal borrower and two agent lenders. Under exclusive borrowing and lending arrangements, securities on loan must be collateralized with a fair value of 102% for U.S. securities, and 105% for international securities, of the borrowed securities. Collateral is marked to market daily. Cash collateral is invested by the agent lenders in short-term, liquid instruments.

Under the terms of the lending agreements, the two agent lenders have agreed to hold LACERA harmless for borrower default from the loss of securities or income, or from any litigation arising from these loans. The principal borrower's agreement entitles LACERA to terminate all loans upon the occurrence of default and purchase a like amount of "replacement securities." Either LACERA or the borrower can terminate all loans on securities on demand.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

5. CASH AND INVESTMENTS-Continued

Securities Lending Transactions-Continued

At year-end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2011, there were no violations of legal or contractual provisions. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the year ended June 30, 2011.

As of June 30, 2011, the fair value of securities on loan was \$1.66 billion. The value of the cash collateral received for those securities was \$1.69 billion and the non-cash collateral was \$3.27 million. Securities lending assets (Other Investments) and liabilities (Other Payables) of \$1.6 billion are recorded in the Pension Trust Fund. Pension Trust Fund income, net of expenses, from securities lending was \$4.1 million for the year ended June 30, 2011.

For the year ended June 30, 2011, the Los Angeles County Treasury Pool did not enter into any securities lending transactions.

Summary of Deposits and Investments

Following is a summary of the carrying amount of deposits and investments at June 30, 2011 (in thousands):

	<u>County</u>	<u>Pension Trust Fund</u>	<u>Total</u>
Deposits	\$ 121,622	\$ 160,223	\$ 281,845
Investments	<u>24,467,387</u>	<u>41,463,381</u>	<u>65,930,768</u>
	<u>\$24,589,009</u>	<u>\$ 41,623,604</u>	<u>\$66,212,613</u>

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 is as follows (in thousands):

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 2,402,387	3,334	(2,634)	\$ 2,403,087
Easements	4,832,583	30,287	(75)	4,862,795
Software in progress	3,913	21,300	(689)	24,524
Construction in progress-buildings and improvements	140,129	130,808	(59,990)	210,947
Construction in progress-infrastructure	<u>452,620</u>	<u>185,807</u>	<u>(217,139)</u>	<u>421,288</u>
Subtotal	<u>\$ 7,831,632</u>	<u>371,536</u>	<u>(280,527)</u>	<u>\$ 7,922,641</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

6. CAPITAL ASSETS-Continued

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,063,464	77,752	(26,052)	\$ 4,115,164
Equipment	1,203,138	175,874	(61,312)	1,317,700
Software	381,398	24,501		405,899
Infrastructure	<u>7,234,438</u>	<u>125,213</u>	<u>(27)</u>	<u>7,359,624</u>
Subtotal	<u>12,882,438</u>	<u>403,340</u>	<u>(87,391)</u>	<u>13,198,387</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,382,640)	(73,214)	14,275	(1,441,579)
Equipment	(868,618)	(108,763)	56,865	(920,516)
Software	(123,044)	(32,498)		(155,542)
Infrastructure	<u>(2,887,032)</u>	<u>(152,689)</u>	<u>26</u>	<u>(3,039,695)</u>
Subtotal	<u>(5,261,334)</u>	<u>(367,164)</u>	<u>71,166</u>	<u>(5,557,332)</u>
Total capital assets, being depreciated, net	<u>7,621,104</u>	<u>36,176</u>	<u>(16,225)</u>	<u>7,641,055</u>
Governmental activities capital assets, net	<u>\$15,452,736</u>	<u>407,712</u>	<u>(296,752)</u>	<u>\$15,563,696</u>
<u>Business-type Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 211,383	11,755		\$ 223,138
Easements	31,009			31,009
Software in progress	723	2,776	(1,345)	2,154
Construction in progress-buildings and improvements	145,176	91,072	(3,433)	232,815
Construction in progress-infrastructure	<u>57,289</u>	<u>29,456</u>	<u>(37,517)</u>	<u>49,228</u>
Subtotal	<u>445,580</u>	<u>135,059</u>	<u>(42,295)</u>	<u>538,344</u>
Capital assets, being depreciated:				
Buildings and improvements	1,976,338	6,937	(213)	1,983,062
Equipment	328,166	13,084	(3,743)	337,507
Software	52,473	1,345		53,818
Infrastructure	<u>1,162,156</u>	<u>34,278</u>	<u>(639)</u>	<u>1,195,795</u>
Subtotal	<u>3,519,133</u>	<u>55,644</u>	<u>(4,595)</u>	<u>3,570,182</u>
Less accumulated depreciation for:				
Buildings and improvements	(712,076)	(27,178)	192	(739,062)
Equipment	(222,539)	(21,958)	6,121	(238,376)
Software	(5,792)	(3,518)		(9,310)
Infrastructure	<u>(450,001)</u>	<u>(21,402)</u>	<u>385</u>	<u>(471,018)</u>
Subtotal	<u>(1,390,408)</u>	<u>(74,056)</u>	<u>6,698</u>	<u>(1,457,766)</u>
Total capital assets, being depreciated, net	<u>2,128,725</u>	<u>(18,412)</u>	<u>2,103</u>	<u>2,112,416</u>
Business-type activities capital assets, net	<u>\$ 2,574,305</u>	<u>116,647</u>	<u>(40,192)</u>	<u>\$ 2,650,760</u>
Total Capital Assets, net	<u>\$18,027,041</u>	<u>524,359</u>	<u>(336,944)</u>	<u>\$18,214,456</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

6. CAPITAL ASSETS-Continued

Depreciation Expense

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental activities:

General government	\$ 21,615
Public protection	160,421
Public ways and facilities	86,286
Health and sanitation	15,490
Public assistance	32,259
Education	2,732
Recreation and cultural services	20,123
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>28,238</u>
Total depreciation expense, governmental activities	<u>\$ 367,164</u>

Business-type activities:

Hospitals	\$ 44,000
Aviation	1,633
Waterworks	22,443
Community Development Commission	903
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>5,077</u>
Total depreciation expense, business-type activities	<u>\$ 74,056</u>

The business-type activities included equipment transfers from the County's General Fund to each Hospital Fund. For hospitals, the amount of the transfers exceeded the amount of deletions by \$2.9 million which lowered the business-type equipment deletions amount. Capital contributions totaling \$2.6 million are shown in the statement of revenues, expenses and changes in fund net assets for each of the Hospital Funds.

The State Trial Court Facilities Act (SB 1732, Chapter 1082 of 2002), as amended by later statutes, authorized the County to enter into agreements with the State of California for the transfer of responsibility for and title to court facilities, as well as for the joint occupancy of those court facilities. Administrative oversight of court operations was transferred from the County to the State in 1998, pursuant to State legislative action at that time. The Trial Court Facilities Act is a continuation of this process. Although the County is required to make ongoing "maintenance of effort" payments to the State for the transferred facilities, the amount is fixed and the County will no longer be responsible for costs which exceed the fixed amount due to inflation and other factors.

In fiscal year 2010-11, the County recorded two courthouse transfers of land, buildings, and improvements to the State, which resulted in a loss on the sale of capital assets used in governmental activities. The loss of \$9.3 million is reported as a general government expense in the government-wide statement of activities.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

6. CAPITAL ASSETS-Continued

Discretely Presented Component Unit

Capital assets activity for the First 5 LA component unit for the year ended June 30, 2011 was as follows (in thousands):

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital assets, not being depreciated-				
Land	\$ 2,039			\$ 2,039
Capital assets, being depreciated:				
Buildings and improvements	11,922	99		12,021
Equipment	<u>2,251</u>	<u>195</u>	<u>(47)</u>	<u>2,399</u>
Subtotal	<u>14,173</u>	<u>294</u>	<u>(47)</u>	<u>14,420</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,226)	(240)		(1,466)
Equipment	<u>(1,580)</u>	<u>(346)</u>	<u>47</u>	<u>(1,879)</u>
Subtotal	<u>(2,806)</u>	<u>(586)</u>	<u>47</u>	<u>(3,345)</u>
Total capital assets being depreciated, net	<u>11,367</u>	<u>(292)</u>		<u>11,075</u>
Component unit capital assets, net	<u><u>\$ 13,406</u></u>	<u><u>(292)</u></u>		<u><u>\$ 13,114</u></u>

7. PENSION PLAN

Plan Description

The County pension plan is administered by the Los Angeles County Employees Retirement Association (LACERA) which was established under the County Employees' Retirement Law of 1937. It provides benefits to employees of the County and the following additional entities that are not part of the County's reporting entity:

Little Lake Cemetery District
Local Agency Formation Commission
Los Angeles County Office of Education
South Coast Air Quality Management District

New employees of the latter two agencies are not eligible for LACERA benefits.

LACERA is technically a cost-sharing, multi-employer defined benefit plan. However, because the non-County entities are immaterial to its operations the disclosures herein are made as if LACERA was a single employer defined benefit plan. LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible members. Benefits are authorized in accordance with the California Constitution, the County Employees' Retirement Law, the bylaws, procedures and policies adopted by LACERA's Boards of Retirement and Investments and Board of Supervisors' resolutions.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

7. PENSION PLAN-Continued

Plan Description-Continued

LACERA issues a stand-alone financial report which is available at its offices located at Gateway Plaza, 300 N. Lake Avenue, Pasadena, California 91101-4199.

Funding Policy

LACERA has seven benefit tiers known as A, B, C, D and E, and Safety A and B. All tiers except E are employee contributory. Tier E is employee non-contributory. New general employees are eligible for tiers D or E at their discretion. New safety members are eligible for only Safety B. Rates for the tiers are established in accordance with State law by LACERA's Boards of Retirement and Investments and the County Board of Supervisors.

The following employer rates were in effect for 2010-2011:

July 1, 2010 - September 30, 2010	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
General Members	17.28%	10.62%	9.88%	10.48%	10.45%
Safety Members	27.83%	20.35%			
October 1, 2010 - June 30, 2011	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
General Members	19.40%	12.74%	12.23%	12.65%	12.67%
Safety Members	29.46%	22.69%			

The rates were determined by the actuarial valuation performed as of June 30, 2009 and June 30, 2010, respectively. The June 30, 2010 actuarial valuation was used to calculate the annual required contribution (ARC).

Employee rates vary by the option and employee entry age from 5% to 15% of their annual covered salary.

During 2010-2011, the County contributed the full amount of the ARC.

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation for 2010-2011, computed in accordance with GASB 27, were as follows (in thousands):

Annual required contribution (ARC):	
County	\$ 944,062
Non-County entities	112
Total ARC	944,174
Interest on net pension obligation (asset)	(4,011)
Adjustment to ARC	55,762
Annual pension cost	995,925
Contributions made:	
County	944,062
Non-County entities	112
Total contributions	944,174
Cost in excess of contributions	51,751
Net pension obligation (asset), July 1, 2010	(51,751)
Net pension obligation (asset), June 30, 2011	\$ 0

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

7. PENSION PLAN-Continued

Annual Pension Cost and Net Pension Obligation-Continued

Fiscal Year Ended	<u>Trend Information (in thousands)</u>		Net Pension Obligation (Asset)
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	
June 30, 2009	\$ 890,393	95.1%	\$ (103,501)
June 30, 2010	895,453	94.2%	(51,751)
June 30, 2011	995,925	94.8%	0

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the funded ratio was determined to be 83.3%. The actuarial value of assets was \$38.8 billion, and the actuarial accrued liability (AAL) was \$46.6 billion, resulting in an unfunded AAL of \$7.8 billion. The covered payroll was \$6.7 billion and the ratio of the unfunded AAL to the covered payroll was 116.6%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The annual required contribution was calculated using the entry age normal method. The most recent actuarial valuation also assumed an annual investment rate of return of 7.75%, and projected salary increases ranging from 4.26% to 10.24%, with both assumptions including a 3.5% inflation factor. Additionally, the valuation assumed post-retirement benefit increases of between 2% and 3%, in accordance with the provisions of the specific benefit options. The actuarial value of assets was determined utilizing a five-year smoothed method based on the difference between the expected market value and the actual market value of assets as of the valuation date. The assumptions remained the same from the last actuarial valuation completed in 2009.

The County contribution rate to finance the unfunded AAL (effective for the 2010-2011 fiscal year, as determined by the June 30, 2010, actuarial valuation) was equal to 6.47% of payroll (using the level percentage of payroll amortization method, over a 30-year closed period) plus the normal cost rate of 9.84%, for a total rate of 16.31% of payroll.

LACERA uses the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are due, and benefits and refunds are recognized when payable in accordance with the terms of each plan.

Pension Obligation Bonds

During 1994-95 the County sold approximately \$1,965,230,000 in par value pension bonds and utilized the proceeds to fund LACERA. A portion of the bonds (\$1,365,230,000) were fixed rate. The remaining \$600,000,000 were variable rate bonds, which were restructured into fixed rate bonds during 1995-96.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

7. PENSION PLAN-Continued

Pension Obligation Bonds-Continued

For the year ended June 30, 2011, the combined principal and interest payments for the bonds were \$372,130,000. For governmental activities, the total debt service was \$276,174,000. For business-type activities, the total debt service was \$95,956,000. The Pension Obligation Bonds were fully redeemed on July 30, 2010.

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

LACERA administers a cost-sharing, multi-employer defined benefit Other Postemployment Benefit (OPEB) plan on behalf of the County. As indicated in Note 7-Pension Plan, because the non-County entities are immaterial to its operations, the disclosures herein are made as if LACERA was a single employer defined benefit plan.

In April 1982, the County of Los Angeles adopted an ordinance pursuant to Government Code Section 31691 which provided for a health insurance program and death benefits for retired employees and their dependents. In 1994, the County amended the agreements to continue to support LACERA's retiree insurance benefits program regardless of the status of active member insurance.

LACERA issues a stand-alone financial report that includes the required information for the OPEB plan. The report is available at its offices located at Gateway Plaza, 300 North Lake Avenue, Pasadena, California 91101-4199.

Funding Policy

Health care benefits earned by County employees are dependent on the number of completed years of retirement service credited to the retiree by LACERA upon retirement; it does not include reciprocal service in another retirement system. The benefits earned by County employees range from 40% of the benchmark plan cost with ten completed years of service to 100% of the benchmark plan cost with 25 or more completed years of service. In general, each completed year of service after ten years reduces the member's cost by 4%. Service includes all service on which the member's retirement allowance was based.

Health care benefits include medical, dental, vision, Medicare Part B reimbursement and death benefits. In addition to these retiree health care benefits, the County provides long-term disability benefits to employees, and these benefits have been determined to fall within the definition of OPEB, per GASB 45. These long-term disability benefits provide for income replacement if an employee is unable to work because of illness or injury. Specific coverage depends on the employee's employment classification, chosen plan and, in some instances years of service.

A trust fund has not been established for the retiree health benefits or the long-term disability benefits. The County's contribution is on a pay-as-you-go basis. During the 2010-2011 fiscal year, the County made payments to LACERA totaling \$375.6 million for retiree health care benefits. Included in this amount was, \$35.5 million for Medicare Part B reimbursements and \$7.0 million in death benefits. Additionally, \$34.9 million was paid by member participants. The County also made payments of \$35.3 million for long-term disability benefits.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Annual OPEB Cost and Net OPEB Obligation

The County's Annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The OPEB cost and OPEB obligation were determined by the OPEB health care actuarial valuation as of July 1, 2010, and the OPEB long-term disability actuarial valuation as of July 1, 2009. The following table shows the ARC, the amount actually contributed and the net OPEB obligation (in thousands):

	<u>Retiree Health Care</u>	<u>LTD</u>	<u>Total</u>
Annual OPEB required contribution (ARC)	\$ 1,853,600	\$ 61,460	\$1,915,060
Interest on Net OPEB obligation	185,393	4,507	189,900
Adjustment to ARC	<u>(141,506)</u>	<u>(3,005)</u>	<u>(144,511)</u>
Annual OPEB cost (expense)	1,897,487	62,962	1,960,449
Less: Contributions made (pay-as-you-go)	<u>375,587</u>	<u>35,272</u>	<u>410,859</u>
Increase in Net OPEB obligation	1,521,900	27,690	1,549,590
Net OPEB obligation, July 1, 2010	<u>3,707,862</u>	<u>90,139</u>	<u>3,798,001</u>
Net OPEB obligation, June 30, 2011	<u><u>\$ 5,229,762</u></u>	<u><u>\$ 117,829</u></u>	<u><u>\$5,347,591</u></u>

Retiree Health Care Trend Information (in thousands)

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 1,567,194	23.3%	\$ 2,404,239
June 30, 2010	1,687,657	22.8%	3,707,862
June 30, 2011	1,897,487	19.8%	5,229,762

LTD Trend Information (in thousands)

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 61,300	51.9%	\$ 61,144
June 30, 2010	62,479	53.6%	90,139
June 30, 2011	62,962	56.0%	117,829

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date for OPEB health care benefits, the funded ratio was 0%. The actuarial value of assets was zero. The actuarial accrued liability (AAL) was \$22.9 billion, resulting in an unfunded AAL of \$22.9 billion. The covered payroll was \$6.7 billion and the ratio of the unfunded AAL to the covered payroll was 342.62%.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Funded Status and Funding Progress-Continued

As of July 1, 2011, the most recent actuarial valuation date for OPEB long-term disability benefits, the funded ratio was 0%. The assumptions remained the same from the last actuarial valuation completed in 2009. The actuarial value of assets was zero. The actuarial accrued liability (AAL) was \$1.019 billion, resulting in an unfunded AAL of \$1.019 billion. The covered payroll was \$6.7 billion and the ratio of the unfunded AAL to the covered payroll was 15.22%.

The schedules of funding progress are presented as RSI following the notes to the financial statements. These RSI schedules present multi-year trend information.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continued revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

While the actuarial valuations for OPEB health care and OPEB long-term disability benefits were prepared by two different firms, they both used the same methods and assumptions, with one exception noted below. The projected unit credit cost method was used. Both valuations assumed an annual investment rate of return of 5%, an inflation rate of 3.5% per annum and projected general wage increases of 4%. The increases in salary due to promotions and longevity do not affect the amount of the OPEB program benefits. An actuarial asset valuation was not performed. Finally, the OPEB valuation report used the level percentage of projected payroll over a rolling (open) 30-year amortization period. The OPEB Long-Term Disability valuation report used the level dollar of projected payroll over a rolling (open) 30-year amortization period.

The healthcare cost trend initial and ultimate rates, based on the July 1, 2010 actuarial valuation, are as follows:

	<u>Initial Year</u>	<u>Ultimate</u>
LACERA Medical Under 65	8.09%	5.05%
LACERA Medical Over 65	6.81%	5.05%
Firefighters Local 1014 (all)	6.55%	5.05%
Part B Premiums	8.25%	4.95%
Dental (all)	2.43%	4.50%

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

9. LEASES

Operating Leases

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2011 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2012	\$ 75,868
2013	62,060
2014	44,711
2015	35,441
2016	15,540
2017-2021	42,571
2022-2026	17,895
2027-2031	<u>15,783</u>
Total	<u>\$ 309,869</u>

Rent expenses related to operating leases were \$88,204,000 for the year ended June 30, 2011.

Capital Leases

The following is a schedule of future minimum lease payments under capital leases together with the present value of future minimum lease payments as of June 30, 2011 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2012	\$ 20,781
2013	24,792
2014	23,438
2015	20,052
2016	19,479
2017-2021	89,797
2022-2026	84,296
2027-2031	71,466
2032-2036	45,915
2037-2041	<u>9,519</u>
Total	<u>409,535</u>
Less: Amount representing interest	<u>228,275</u>
Present value of future minimum lease payments	<u>\$ 181,260</u>

The following is a schedule of property under capital leases by major classes at June 30, 2011 (in thousands):

	<u>Governmental Activities</u>
Land	\$ 17,279
Buildings and improvements	153,513
Equipment	43,800
Accumulated depreciation	<u>(33,237)</u>
Total	<u>\$ 181,355</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

9. LEASES-Continued

Capital Leases-Continued

Future rent revenues to be received from noncancelable subleases are \$1,206,000 as of June 30, 2011.

Leases of County-Owned Property

The County has entered into operating leases relative to the Marina del Rey Project area, various County golf courses and regional parks, and Asset Development Projects. Substantially all of the Marina's land and harbor facilities are leased to others under agreements classified as operating leases. Certain golf courses and regional parks are leased under agreements which provide for activities such as golf course management and clubhouse operations, food and beverage concessions, and recreational vehicle camping. The Asset Development Projects are ground leases and development agreements entered into by the County for private sector development of commercial, industrial, residential, and cultural uses on vacant or underutilized County owned property. The Asset Development leases cover remaining periods ranging generally from 1 to 86 years and are accounted for in the General Fund. The lease terms for the golf courses and regional parks cover remaining periods ranging from 1 to 24 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 56 years and are accounted for in the General Fund.

The land carrying value of the Asset Development Project ground leases and the Marina del Rey Project area leases is \$403,790,000. The carrying value of the capital assets associated with the golf course and regional park operating leases is not determinable.

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2011 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2012	\$ 42,990
2013	40,158
2014	38,281
2015	37,381
2016	36,856
Thereafter	<u>1,305,656</u>
Total	<u>\$ 1,501,322</u>

The following is a schedule of rental income for these operating leases for the year ended June 30, 2011 (in thousands):

	<u>Governmental Activities</u>
Minimum rentals	\$ 41,810
Contingent rentals	<u>18,559</u>
Total	<u>\$ 60,369</u>

The minimum rental income is a fixed amount based on the lease agreements. The contingent rental income is a percentage of revenue above a certain base for the Asset Development leases or a calculated percentage of the gross revenue less the minimum rent payment for the other leases.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

10. LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of bonds, notes and loans payable, pension bonds payable (see Note 7), OPEB (see Note 8), capital lease obligations (see Note 9) and other liabilities which are payable from the General, Special Revenue, Debt Service, Enterprise and Internal Service Funds.

A summary of bonds, notes and loans payable recorded within governmental activities follows (in thousands):

	<u>Original Par Amount of Debt</u>	<u>Balance June 30, 2011</u>
Los Angeles County Flood Control		
District Refunding Bonds 2.5% to 5.0%	\$ 143,195	\$ 38,010
Los Angeles County Flood Control		
District Revenue Bonds 4.0% to 4.12%	20,540	15,785
Regional Park and Open Space District		
Bonds (issued by Public Works		
Financing Authority), 3.0% to 5.25%	275,535	211,302
Community Development Commission (CDC)		
Notes Payable, .45% to 6.67%	75,296	43,733
NPC Bond Anticipation Notes, 0.510% to 0.676%	67,468	67,468
NPC Bonds 2.0% to 5.0%	17,778	7,700
Marina del Rey Loans Payable, 4.5% to 4.7%	23,500	18,783
Public Buildings Certificates of Participation,		
2.0% to 6.841%	1,278,468	916,386
Commercial paper, 0.11% to 0.27%	71,264	71,264
Los Angeles County Securitization		
Corporation Tobacco Settlement		
Asset-Backed Bonds, 5.25% to 6.65%	319,827	412,116
Total	<u>\$ 2,292,871</u>	<u>\$ 1,802,547</u>

A summary of bonds and notes payable recorded within business-type activities follows (in thousands):

	<u>Original Par Amount of Debt</u>	<u>Balance June 30, 2011</u>
NPC Bond Anticipation Notes, 0.510% to 0.676%	\$ 9,532	\$ 9,532
NPC Bonds, 2.0% to 5.0%	6,247	2,705
Public Buildings Certificates of Participation,		
2.0% to 6.841%	610,607	542,406
Commercial Paper, 0.11% to 0.27%	104,736	104,736
Waterworks District Bonds, 3.3% to 8.0%	280	46
Community Development Commission		
Mortgage Notes, 0.00% to 7.3%	55,122	46,696
Total	<u>\$ 786,524</u>	<u>\$ 706,121</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

10. LONG-TERM OBLIGATIONS-Continued

General Obligation Bonds

Waterworks Districts issued general obligation bonds to finance water system projects. Revenue for retirement of such bonds is provided from ad valorem taxes on property within the jurisdiction of the governmental unit issuing the bonds. Principal and interest requirements on general obligation long-term debt for Waterworks District bonds are as follows (in thousands):

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 22	\$ 3
2013	<u>24</u>	<u>1</u>
Total	<u>\$ 46</u>	<u>\$ 4</u>

Assessment Bonds

The Regional Park and Open Space District issued voter approved assessment bonds in 1997, some of which were advance refunded in 2004-2005 and the remainder in 2007-2008, to fund the acquisition, restoration, improvement and preservation of beach, park, wildlife and open space resources within the District. As discussed in Note 4, the bonds were purchased by the Public Works Financing Authority (Authority) and similar bonds were issued as a public offering. The bonds issued by the Authority are payable from the pledged proceeds of annual assessments levied on parcels within the District's boundaries.

The bonds mature in fiscal year 2019-2020. Annual principal and interest payments of the bonds are expected to require less than 50% of annual assessment revenues. Total principal and interest remaining on the bonds is \$234,793,000, not including unamortized bond premiums. Principal and interest for the current year and assessment revenues were \$35,890,000 and \$80,152,000, respectively.

Principal and interest requirements on assessment bonds are as follows (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 26,560	\$ 9,270
2013	27,855	7,925
2014	29,255	6,497
2015	30,735	4,998
2016	32,270	3,422
2017-2021	<u>50,610</u>	<u>5,396</u>
Subtotal	197,285	<u>\$ 37,508</u>
Add: Unamortized Bond Premiums	<u>14,017</u>	
Total Assessment Bonds	<u>\$ 211,302</u>	

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

10. LONG-TERM OBLIGATIONS-Continued

Certificates of Participation

The County has issued certificates of participation (COPs) through various financing entities that have been established by, and are component units of, the County. The debt proceeds have been used to finance the acquisition of County facilities and equipment. The County makes annual payments to the financing entities for the use of the property and the debt is secured by the underlying capital assets that have been financed. During the 2010-2011 fiscal year, the County issued COPs of \$790,905,000 to finance \$578,750,000 of various capital improvements, to redeem \$168,705,000 of outstanding commercial paper debt, and to fund debt service reserves of \$43,450,000. The allocation of debt between Governmental Activities and Business-type Activities was \$320,362,000 and \$470,543,000, respectively.

The County has pledged net revenues from the Calabasas Landfill for the payment of the Calabasas Landfill Project Revenue bonds, included here in the Public Buildings COPS, issued in 2005 and maturing in 2022. To the extent that the net available revenues, in the amount of \$713,000, are insufficient to cover the debt payments in any fiscal year, the County has pledged to make the debt payments from any source of legally available funds. The County paid \$2,446,000 of the current fiscal year debt payment of \$3,159,000. Total principal and interest remaining on the bonds is \$39,178,000.

Principal and interest requirements on COPs (Flood Control District Refunding bonds and Revenue bonds, NPC bonds, and Public Buildings COPs for Governmental Activities and NPC bonds and Public Buildings COPs for Business-type Activities) are as follows (in thousands):

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 76,328	\$ 58,890	\$ 14,028	\$ 44,610
2013	82,087	52,133	13,203	37,576
2014	51,489	49,193	13,201	36,965
2015	56,288	47,336	21,629	36,390
2016	41,794	45,961	20,938	35,435
2017-2021	137,504	227,289	58,689	156,241
2022-2026	156,005	125,152	67,380	136,971
2027-2031	122,212	87,276	85,083	109,429
2032-2036	95,463	51,467	108,292	73,342
2037-2041	<u>93,021</u>	<u>18,317</u>	<u>136,629</u>	<u>26,904</u>
Subtotal	912,191	<u>\$ 763,014</u>	539,072	<u>\$ 693,863</u>
Accretions	73,583			
Unamortized Bond Premiums	22,297		4,791	
Unamortized Loss	<u>(28,942)</u>			
Total Certificates of Participation	<u>\$ 979,129</u>		<u>\$ 543,863</u>	

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

10. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds

In 2006, the County entered into a Sale Agreement with the Los Angeles County Securitization Corporation (LACSC) under which the County relinquishes to the LACSC a portion of its future tobacco settlement revenues (TSRs) for the next 40 years. The County received from the sold TSRs a lump sum payment of \$319,827,000 and a residual certificate in exchange for the rights to receive and retain 25.9% of the County's TSRs through 2046. The residual certificate represented the County's ownership interest in excess TSRs to be received by the LACSC during the term of the Sale Agreement. Residuals through 2011 were \$131,514,000. The total TSRs sold, based on the projected payment schedule in the Master Settlement Agreement and adjusted for historical trends, was estimated to be \$1,438,000,000. The estimated present value of the TSRs sold, net of the expected residuals and assuming a 5.7% interest rate at the time of the sale, was \$309,230,000. In the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Bonds, neither the California County Tobacco Securitization Agency, the County, nor the LACSC has any liability to make up any such shortfall.

Principal and interest requirements (in thousands) for the Tobacco Settlement Asset-Backed bonds are as follows:

Year Ending June 30	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$	\$ 20,863
2013		20,863
2014		20,863
2015		20,863
2016		20,863
2017-2021	53,915	104,317
2022-2026		85,680
2027-2031	46,370	75,859
2032-2036	62,196	69,311
2037-2041	53,157	46,592
2042-2046	<u>97,824</u>	<u>26,956</u>
Subtotal	313,462	<u>\$ 513,030</u>
Accretions	<u>98,654</u>	
Total Tobacco Settlement Asset-Backed Bonds	<u>\$ 412,116</u>	

Notes, Loans, and Commercial Paper

Bond Anticipation Notes (BANS) are issued by the Los Angeles County Capital Assets Leasing Corporation (LACCAL Equipment Acquisition Internal Service Fund) to provide interim financing for equipment purchases. BANS are purchased by the County Treasury Pool and are payable within five years. In addition, the BANS are issued with a formal agreement that, in the event they are not liquidated within the five-year period, they convert to capital leases with a three-year term secured by County real property. During the 2010-2011 fiscal year, LACCAL issued additional BANS in the amount of \$56,368,000, as reflected in Governmental Activities and \$5,632,000 as reflected in Business-type Activities.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

10. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Commercial Paper-Continued

CDC notes are secured by annual contributions from the United States Department of Housing and Urban Development (HUD) and housing units constructed with the note proceeds. Commission mortgage notes are secured by revenues from the operation of housing projects and from housing assistance payments from HUD. During the 2010-2011 fiscal year, CDC issued additional notes payable in the amount of \$6,001,000 as reflected in Governmental Activities and \$43,716,000 as reflected in Business-type Activities.

Marina del Rey loans were obtained from the California Department of Boating and Waterways for the restoration and renovation of the marina seawall. The loans are secured by Marina del Rey lease revenue and by Los Angeles County Music Center parking revenues.

Tax-exempt commercial paper notes (TECP) are issued by the County to pay for the construction costs of various County construction projects. Repayment of the TECP is secured by four irrevocable direct-pay letters of credit and a sublease of twenty-four County-owned properties. The letters of credit were issued for a three-year period and have a termination date of April 26, 2013. The combined total of the four letters of credit is \$411,835,000, which consists of a \$400,000,000 principal component and a \$11,835,000 interest component. The respective letters of credit were issued by the following banks: JP Morgan (\$180,178,000), Bank of America (\$77,219,000), Wells Fargo (\$77,219,000), and Union Bank (\$77,219,000). The County is required to pay an annual fee equal to 1.25% of the above amounts for the letters of credit issued by JPMorgan, Bank of America, and Wells Fargo. For Union Bank, the County pays a fee equal to 0.95% of the utilized amount the letter of credit and 0.50% of the unutilized amount of the letter of credit. Pursuant to the underlying lease, the County is able to amortize the remaining TECP over the useful life of the underlying assets. The term of individual commercial paper notes may not exceed 270 days. During the 2010-2011 fiscal year, the County issued TECP which are reflected as notes payable in the amount of \$71,264,000 for Governmental Activities and \$104,736,000 for Business-type Activities. The average interest rate on TECP in the 2010-2011 fiscal year was 0.327%.

Principal and interest requirements on CDC Notes payable, NPC BANS, Commercial Paper and Marina del Rey Loans payable for Governmental Activities and NPC BANS, Commercial Paper, and CDC Mortgage notes for Business-type Activities are as follows (in thousands):

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 93,561	\$ 2,965	\$ 106,836	\$ 1,536
2013	56,829	2,758	15,180	1,946
2014	3,691	2,556	570	1,873
2015	3,880	2,356	590	1,856
2016	3,957	711	610	1,834
2017-2021	19,795	8,320	4,493	8,718
2022-2026	14,041	3,222	4,470	7,761
2027-2031	4,246	387	5,700	6,527
2032-2036			7,435	4,790
2037-2041			9,685	2,542
Indeterminate maturity			6,643	247
Total	<u>\$ 200,000</u>	<u>\$ 23,275</u>	<u>\$ 162,212</u>	<u>\$ 39,630</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

10. LONG-TERM OBLIGATIONS-Continued

Summary-All Future Principal, Interest and Accretions

The following summarizes total future principal and interest requirements for the various debt issues referenced above (in thousands):

<u>Debt Type</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
General Obligation Bonds	\$	\$	\$ 46	\$ 4
Assessment Bonds	197,285	37,508		
Certificates of Participation	912,191	763,014	539,072	693,863
Tobacco Settlement Asset-Backed Bonds	313,462	513,030		
Notes, Loans, and Commercial Paper	<u>200,000</u>	<u>23,275</u>	<u>162,212</u>	<u>39,630</u>
Subtotal	1,622,938	<u>\$1,336,827</u>	701,330	<u>\$ 733,497</u>
Add: Accretions	172,237			
Unamortized Bond Premiums	36,314		4,791	
Less: Unamortized Loss on Advance Refunding of Debt	<u>(28,942)</u>			
Total Bonds and Notes Payable	<u>\$1,802,547</u>		<u>\$ 706,121</u>	

Long-term liabilities recorded in the Government-wide Statement of Net Assets include accreted interest on zero coupon bonds, unamortized bond premiums, and unamortized losses on advance debt refundings.

Bonds Defeased in Prior Years

In prior years, various debt obligations, consisting of bonds and certificates of participation, were defeased by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the related liabilities for the defeased bonds are not reflected in the County's financial position. At June 30, 2011, the amount of outstanding bonds and certificates of participation considered defeased was \$26,740,000. All of this amount was related to governmental activities.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

10. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities

The following is a summary of long-term liabilities and corresponding activity for the year ended June 30, 2011 (in thousands):

	Balance July 1, 2010	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2011	Due Within One Year
Governmental activities:					
Bonds and notes payable	\$ 1,476,585	468,453	142,491	\$ 1,802,547	\$ 205,874
Pension bonds payable (Note 7)	256,717		256,717		
Capital lease obligations (Note 9)	148,073	43,677	10,490	181,260	5,479
Accrued vacation and sick leave	829,099	84,168	75,163	838,104	62,028
Workers' compensation liability (Note 17)	1,864,864	221,688	295,041	1,791,511	314,917
Litigation and self-insurance liability (Note 17)	156,924	11,743	49,006	119,661	99,216
Pollution remediation obligation (Note 18)	24,755	6,133	2,793	28,095	4,494
OPEB obligation (Note 8)	3,163,431	1,302,562		4,465,993	
Third party payor liability	<u>15,443</u>	<u>7,909</u>	<u>2,330</u>	<u>21,022</u>	<u>21,022</u>
Total governmental activities	<u>\$ 7,935,891</u>	<u>2,146,333</u>	<u>834,031</u>	<u>\$ 9,248,193</u>	<u>\$ 713,030</u>
Business-type activities:					
Bonds and notes payable	\$ 356,189	624,628	274,696	\$ 706,121	\$ 121,827
Pension bonds payable (Note 7)	89,196		89,196		
Accrued vacation and sick leave	139,389	12,700	12,600	139,489	10,697
Workers' compensation liability (Note 17)	294,551	23,890	39,354	279,087	44,346
Litigation and self-insurance liability (Note 17)	100,784	10,559	18,754	92,589	19,571
OPEB obligation (Note 8)	634,570	247,028		881,598	
Third party payor liability (Note 13)	<u>185,003</u>	<u>92,867</u>	<u>40,744</u>	<u>237,126</u>	<u>4,290</u>
Total business-type activities	<u>\$ 1,799,682</u>	<u>1,011,672</u>	<u>475,344</u>	<u>\$ 2,336,010</u>	<u>\$ 200,731</u>

For governmental activities, the General Fund, the Fire Protection District Special Revenue Fund and the Public Library Special Revenue Fund have typically been used to liquidate workers' compensation, accrued vacation and sick leave and litigation and self-insurance liabilities.

Bond interest accretions for deep discount bonds have been included in the amounts reported for Bonds and Notes Payable and Pension Bonds Payable. For Bonds and Notes Payable, accretions increased during 2010-2011, thereby increasing liabilities for Bonds and Notes Payable by \$11,595,000 for governmental activities. Amounts accreted for Pension Bonds in previous years were paid during 2010-2011 thereby decreasing liabilities for Pension Bonds Payable for governmental and business-type activities by \$168,783,000 and \$58,644,000, respectively, for interest accretions. Note 17 contains information about changes in the combined current and long-term liabilities for workers' compensation and litigation and self-insurance liabilities.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

11. SHORT-TERM DEBT

On July 1, 2010, the County issued \$1,500,000,000 of short-term Tax and Revenue Anticipation Notes Series A and B at an effective interest rate of .85%. The proceeds of the notes were used to assist with County General Fund cash flow needs prior to the first major apportionment of property taxes, which occurred in December 2010. The notes matured and were redeemed on June 30, 2011.

12. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2011, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling \$68,114,000 and limited obligation improvement bonds totaling \$9,199,000. The bonds were issued to finance the cost of various construction activities and infrastructure improvements which have a regional or direct benefit to the related property owners.

The bonds do not constitute an indebtedness of the County and are payable solely from special taxes and benefit assessments collected from property owners within the districts. In the opinion of County officials, these bonds are not payable from any revenues or assets of the County and neither the full faith and credit of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

The County functions as an agent for the districts and bondholders. Debt service transactions related to the various bond issues are reported in the agency funds. Construction activities are reported in the Improvement Districts' Capital Projects Fund.

Residential Mortgage Revenue Bonds

Residential Mortgage Revenue Bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing single family residences in the County. The purpose of this program is to provide low interest rate home mortgage loans to persons who are unable to qualify for conventional mortgages at market rates. Multi-Family Mortgage Revenue Bonds have been issued to provide permanent financing for apartment projects located in the County to be partially occupied by persons of low or moderate income. The amount of Mortgage Revenue Bonds outstanding as of June 30, 2011, was \$334,109,000.

The bonds do not constitute an indebtedness of the County. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans and certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures. In the opinion of County officials, these bonds are not payable from any revenues or assets of the County, and neither the full faith and credit nor the taxing authority of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

12. CONDUIT DEBT OBLIGATIONS-Continued

Industrial Development and Other Conduit Bonds

Industrial development bonds, and other conduit bonds, have been issued to provide financial assistance to private sector entities and nonprofit corporations for the acquisition of industrial and health care facilities which provide a public benefit. The bonds are secured by the facilities acquired and/or bank letter of credit and are payable solely from project revenue or other pledged funds. The County is not obligated in any manner for the repayment of the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

As of June 30, 2011, the amount of industrial development and other conduit bonds outstanding was \$29,275,000.

13. HOSPITAL AND OTHER PROGRAM REVENUES

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Medi-Cal Demonstration Projects

During FY 2010-11, there were three distinctive funding periods under the Medi-Cal Demonstration Projects:

1. The original five year Demonstration Project effective for the period September 1, 2005 through August 31, 2010 (Demonstration Year (DY) 1 – DY 5);
2. The Extension Period effective for the period September 1, 2010 through October 31, 2010; and
3. The new five year Demonstration Project (Bridge to Reform) effective for the period November 1, 2010 through October 31, 2015 (DY 6 – DY 10).

The Demonstration Projects apply to funding Statewide (which currently includes 21 county and University of California hospitals, identified as Designated Public Hospitals, and private and non-designated public safety net hospitals that serve large numbers of Medi-Cal patients).

The Demonstration Projects restructure inpatient hospital fee-for-service (FFS) revenues and Disproportionate Share Hospital (DSH) revenues, as well as the financing method by which the State draws down federal matching funds.

Under the Demonstration Projects, revenues for the public hospitals are comprised of: 1) FFS cost-based reimbursement for inpatient hospital services; 2) DSH payments and 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP), which was capped Statewide at \$565.5 million (\$97.7 million for the first four months plus \$467.8 million for the second eight months) in FY 2010-11. The non-federal share of these three types of payments is provided by the public hospitals rather than the State, through certified public expenditures (CPE), and for DSH, intergovernmental transfers whereby the hospital would utilize its local funding for services to draw down the federal financial participation (FFP).

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Projects -Continued

The federal medical assistance percentage (FMAP) which establishes the matching amount for the FFS cost-based reimbursement was as follows for FY 2010-11:

July 1, 2010 through December 31, 2010 at 61.59%
January 1, 2011 through March 31, 2011 at 58.77%
April 1, 2011 through June 30, 2011 at 56.88%

The FMAP for DSH remains at 50%. For the inpatient hospital cost-based reimbursement, each hospital receives all of the federal match associated with its CPE.

For the DSH and SNCP distributions, the CPEs of all the public hospitals are used in the aggregate to draw down the federal match. It is therefore possible for one hospital to receive the federal match that results from another hospital's CPE. In this situation, the first hospital is referred to as a "recipient" hospital, while the second is referred to as a "donor" hospital. A recipient hospital is required to "retain" the FFP amounts resulting from donated CPEs.

The County also provides funding for the State's share of the DSH program by transferring funds to the State. These transferred funds, referred to as Intergovernmental Transfers (IGTs) are used by the State to draw down federal matching funds. The combined IGTs sent to the State by each Hospital Enterprise Fund, plus the matching federal funds, are utilized by the State to provide supplemental funding for the Demonstration Project.

The Demonstration Projects restrict the amount of IGTs that may be used for DSH payments. A hospital's IGT may be used to draw federal DSH funding, but only with respect to DSH payments made to that hospital, and the gross amount of such IGT funded payments (non-federal plus federal match) may not exceed 75% of the hospital's uncompensated care costs. The gross IGT funded DSH payment must be "retained" by the recipient hospital fund.

The County recognizes the funding received under the Demonstration Projects by each hospital as net patient services revenue as reflected in the Statement of Revenues, Expenses, and Changes in Net Assets. The IGTs are reflected as non-operating expenses by each Hospital in the Statement of Revenues, Expenses, and Changes in Fund Net Assets.

The IGTs paid during FY 2010-11 include payments for services provided in FYs 2009-10 and 2010-11. The estimated Medi-Cal Demonstration Project net revenues include amounts collected and accrued for FY 2010-11 and over/under-realization of revenues for FY 2005-06 through FY 2009-10. The amounts below are in thousands:

	Program			Intergovernmental
	<u>Medi-Cal FFS</u>	<u>DSH</u>	<u>SNCP</u>	<u>Transfers Expense</u>
Harbor-UCLA	\$ 72,894	\$ 104,509	\$ 74,719	\$ 62,907
Olive View-UCLA	67,727	71,628	38,659	38,488
LAC+USC	135,797	180,852	127,544	138,707
M. L. King	471	1,478	223	0
Rancho	46,177	32,566	32,384	16,296
Total	<u>\$ 323,066</u>	<u>\$ 391,033</u>	<u>\$ 273,529</u>	<u>\$ 256,398</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

DY 1 – DY 5 Baseline Funding

A public hospital's baseline level is determined and satisfied on a hospital-specific basis. The baseline for the first four months of 2010-11 program year is established by comparing each hospital's Medi-Cal inpatient costs, uninsured inpatient costs, and uninsured outpatient costs from FY 2004-05 to those from FY 2009-10, and applying the resulting growth as an adjustment to the FY 2004-05 baseline. The State estimates the aggregate baseline funding for the Statewide designated public hospitals to be \$866.5 million for the four month period.

The estimated FY 2010-11's four month baseline for the County hospitals is as follows (in thousands):

	July - Oct. 2010 Baseline Amount *
Harbor-UCLA Medical Center	\$ 67,380
Olive View-UCLA Medical Center	43,623
LAC+USC Medical Center	137,991
Rancho Los Amigos National Rehabilitation Center	33,842
Total	<u>\$ 282,836</u>

* Baseline funding does not apply to the remaining eight months of FY 2010-11.

The three funding components utilized to meet each hospital's baseline level are as follows:

- 1) Medi-Cal inpatient FFS cost-based reimbursement: The FFP which is paid to the hospital is based on the applicable FMAP rate which is applied to the facility-specific costs or CPE. The hospital's amounts will fluctuate based on the number of facility-specific Medi-Cal patients served and the facility-specific cost computations that are adjusted on an interim and final basis.
- 2) DSH funds: These payments are made to hospitals to take into account the uncompensated costs of care delivered to the uninsured and shortfalls between Medi-Cal psychiatric and Medi-Cal managed care payments and costs. The Demonstration Projects allocate almost all of these funds to public hospitals. The State estimates the aggregate value of federal DSH funds for the Statewide designated public hospitals to be \$1.097 billion as of June 30, 2011.
- 3) SNCP Distributions: These federal payments are made to public hospitals and clinics for uncompensated care delivered to uninsured patients.

DY 6 – DY 10 Bridge to Reform Funding

On November 2, 2010, Centers for Medicare & Medicaid Services (CMS) approved for California a new Medi-Cal Demonstration Project, entitled California's Bridge to Healthcare Reform (Waiver 11-W-00193/9) under the authority of section 1115(a) of the Social Security Act for the period November 1, 2010 through October 31, 2015. The agreement "waives" certain Medicaid requirements in order to test new strategies and demonstration projects that can improve care and care delivery.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

DY 6 – DY 10 Bridge to Reform Funding-Continued

Public hospital systems will provide the financing through their counties and lead the implementation of expanding Medicaid and other health coverage to low income people and transforming care so that it is more coordinated, efficient and patient-centered. Support for public hospital systems from the waiver falls into the following areas:

Coverage Expansion – Low Income Health Program or Healthy Way LA

Under the Waiver, counties have the option to expand coverage by operating a Low Income Health Program (LIHP). Under this plan the County may cover individuals up to 133% of the federal poverty level (FPL), known as the Medicaid Coverage Expansion (MCE) population, and receive federal matching funds for the amount they expend. If counties meet certain federal requirements and have the resources available to do so, they can also cover individuals between 133% and 200% FPL, known as the Health Care Coverage Initiative (HCCI) population. The LIHP will run through the end of 2013, at which time coverage under federal health care reform will take effect.

For Los Angeles County, this program is called Healthy Way LA (HWLA) - Matched and in FY 2010-11 (8 month period), an estimated \$63.3 million of HWLA and \$5.8 million of HWLA administrative revenues were recognized.

Delivery System Reform Incentive Pool

The new Waiver establishes the Delivery System Reform Incentive Pool (DSRIP) which will tie federal funding to milestones in care delivery improvements. To obtain funding under the DSRIP, public hospital systems must submit a five-year plan showing how they will accomplish desired results, and will be required to achieve significant milestones that will be approved by the State and CMS. The amounts below, in thousands, were recorded as "other operating revenues" in FY 2010-11:

	<u>DSRIP Revenues</u>	<u>Intergovernmental Transfers Expense</u>
Harbor-UCLA	\$ 51,057	\$ 36,057
Olive View-UCLA	28,999	21,999
LAC+USC	162,579	72,674
M. L. King	74,000	0
Rancho	26,065	10,565
Total	<u>\$ 342,700</u>	<u>\$ 141,295</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

DY 6 – DY 10 Bridge to Reform Funding-Continued

Support Costs for Uncompensated Care

The Safety Net Care Pool funding will continue to provide partial reimbursement for the costs of care to the uninsured, helping public hospitals to continue to provide essential services to those in need.

Managed Care for Seniors and Persons with Disabilities (SPDs)

Under the Waiver, the State of California will require Medi-Cal beneficiaries who are Seniors and Persons with Disabilities (SPDs) to enroll in managed care plans, rather than using a fee for service system, in an effort to provide more coordinated care and contain costs.

Reported CPEs Subject to Audit

All CPEs reported by each hospital will be subject to State and federal audit and final reconciliation. If at the end of the final reconciliation process, it is determined that a hospital's claimed CPEs resulted in an overpayment of federal funds to the State, the hospital may be required to return the overpayment whether or not the County's hospital received the federal matching funds.

Medi-Cal Physician State Plan Amendment (Physician SPA)

Prior to July 1, 2005, Medi-Cal inpatient physician professional services (including non-physician practitioners) provided by Los Angeles County were reimbursed as part of an all-inclusive fixed contract rate per-diem. Effective July 1, 2005, public hospitals were no longer paid a fixed rate but were reimbursed under the Demonstration Project. The Demonstration Project payment for inpatient and other facility services is under State Plan Amendment 05-21, and excluded professional services. California State Plan Amendment 05-23 allows professional services to be paid similarly to the inpatient hospital services under the Demonstration Project. Hospitals are allowed to claim federal reimbursement for unreimbursed costs of Medi-Cal professional services (Hospital Inpatient, Emergency Room, and Psychiatric services) which is matched at the applicable FMAP rate for the year.

Net revenues of \$37.2 million were recognized during FY 2010-11 and included over/under-realization of revenues associated with FY 2005-06 through FY 2009-10.

State Senate Bill 474 (SB 474)

South Los Angeles Medical Services Preservation Fund

On October 12, 2007, SB 474 established an annual fund to stabilize health services for low-income, underserved populations of South Los Angeles. The "South Los Angeles Medical Services Preservation Fund" is intended to address the regional impact of the closure of the MLK-Harbor Hospital (currently MLK-MACC). Funding for this program ended on October 31, 2010 and for the year ended June 30, 2011, the County's hospitals recognized revenues of \$36.4 million from this program.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

State Senate Bill 474 (SB 474)-Continued

Intergovernmental Transfers for Private Hospital Supplemental Fund

SB 474 also requires the County to make IGTs to the State to fund the non-federal share of increased Medi-Cal payments to those private hospitals that serve the South Los Angeles population formerly served by MLK-Harbor Hospital. An IGT expense of \$5.0 million was recorded as health care expenditures in the County's General Fund for the year ended June 30, 2011.

Other Medi-Cal Programs

Cost Based Reimbursement Clinics (CBRC)

CBRC reimburses at 100 percent of allowable costs for outpatient services provided to Medi-Cal beneficiaries at the County's hospital-based clinics, Multi-Service Ambulatory Care Centers (MACC) and health centers (excluding clinics that provide predominately public health services). The Department-wide CBRC revenues in FY 2010-11 were \$158.6 million. As of June 30, 2011, the County estimated that approximately \$194.5 million of CBRC accounts receivable would not be collectable within 12 months and this amount is classified as a non-current asset in the Proprietary Fund statements for each Hospital.

Medi-Cal Cost Report Settlements

All of the FY 2006-07 CBRC audit reports were issued and total audit settlements of \$62.8 million were paid to the County. The informal level appeal hearing between DHS and the State Office of Administrative Hearing Appeals for FY 2006-07 is scheduled for October 25, 2011.

The State auditors are in the process of auditing the FY 2007-08 CBRC cost reports and anticipate the issuance of the finalized audit reports beginning December 2011.

Medi-Cal Managed Care Rate Supplement

The State received permission from CMS to continue the Medi-Cal Managed Care rate supplements paid to L.A. Care and Health Net for the period October 1, 2009 through September 30, 2010. The supplement is funded by an IGT made by the County. The County does not receive managed care payments directly from the State; rather, the State contracts with L.A. Care and Health Net, which then subcontract for services with various provider networks, including DHS' Community Health Plan and providers. We expect the State to make another proposal, to CMS, to extend this program for the period October 1, 2010 through September 30, 2011 and DHS has submitted a non-binding letter to continue participating in this program.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Managed Care Rate Supplement-Continued

For L.A. Care and Health Net, the total estimated revenues and related estimated IGTs recorded in FY 2010-11, less prior year accruals, are follows (in thousands):

	<u>Program Revenues</u>	<u>Intergovernmental Transfers Expense</u>
L.A. Care		
Current Year	\$ 17,281	\$ 6,797
Prior Year over/(under)	<u>(8,573)</u>	<u>(3,372)</u>
Total L.A. Care	8,708	3,425
Health Net		
Current Year	8,307	3,287
Prior Year over/(under)	<u>(3,798)</u>	<u>(1,640)</u>
Total Health Net	4,509	1,647
Totals	<u>\$ 13,217</u>	<u>\$ 5,072</u>

Coverage Initiative

On April 10, 2007, the State awarded the County an allocation of federal funding to implement its Healthy Way LA Program under the Health Care Coverage Initiative (CI). In addition to patient care services, the County may claim administrative and case management costs associated with the CI program. In FY 2010-11, for the four month period (July 1, 2010 through October 31, 2010), an estimated \$12.1 million of CI revenues and \$10.4 million of CI administrative revenues were recognized. The program will be replaced with the LIHP program effective July 1, 2011.

Revenues from the various Medi-Cal programs (i.e., FFS, DSH, SNCP, CBRC, AB 915, SB 1732, etc.) represent approximately 80% of the hospitals' patient care revenue for the year ended June 30, 2011.

American Recovery and Reinvestment Act of 2009

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act (ARRA), a major economic stimulus and fiscal relief package. The ARRA's biggest financial impact to the County comes from the temporary increase in the FMAP, which results in additional federal revenue provided for non-administrative Medicaid costs. California's FMAP was increased from 50% to 61.59% effective from October 1, 2008 through December 31, 2010. In addition, the FMAP rates were increased to 58.77% for January 1, 2011 through March 31, 2011 and 56.88% for the period April 1, 2011 through June 30, 2011. For fiscal year ended June 30, 2011, the County recognized revenues of \$53.7 million from the FMAP increases.

Medicare Program

Services to inpatient Medicare program beneficiaries are primarily paid under prospectively determined rates-per-discharge based upon diagnostic related groups (DRGs). Certain other services to Medicare beneficiaries are reimbursed based on a fee schedule or other rates.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medicare Program-Continued

Medicare audits have been ongoing at all hospitals. The initial notices of program reimbursement (NPR) have not been issued for all hospitals for recent fiscal years due to CMS Ruling No. CMS-1498-R, which related to a revision to the methodology used to determine Medicare DSH payments. Before the initial NPR can be issued, CMS will revise the data matching process in recalculating the hospital's Medicare SSI fraction that determines a portion of the Disproportionate Share payment adjustment for each hospital. The remaining issues, other than the Medicare DSH SSI fraction issue, have been reviewed and completed for all hospitals through FY 2002-03.

For FY 2003-04, the Medicare audits for the former Martin Luther King Jr./Drew Medical Center (MLK), Harbor-UCLA Medical Center (H-UCLA MC), Rancho Los Amigos National Rehabilitation Center (RLANRC), and Olive View-UCLA Medical Center (OV-UCLA MC) have been completed. The audit for LAC+USC Medical Center (LAC+USC MC) has been completed except for the Medicare SSI fraction issue.

For FY 2004-05, the audits have been completed and the NPRs issued for MLK and OV-UCLA MC only. Except for the Medicare SSI fraction issue, the FY 2004-05 audits have been completed for H-UCLA MC and RLANRC. The Medicare audit is in progress for LAC+USC MC.

For FY 2005-06, the audits have been completed and NPRs issued for MLK and OV-UCLA MC only. Except for the Medicare SSI fraction issue, the FY 2005-06 audit has been completed for RLANRC. Audits are in progress for LAC+USC MC and H-UCLA MC.

For FY 2006-07, the audits for MLK, RLANRC and OV-UCLA MC have been completed and the NPRs have been issued. The audit is in progress for H-UCLA MC. The audit for LAC+USC MC has not been scheduled.

For FY 2007-08, the audits for RLANRC and OV-UCLA MC have been completed except for the Medicare SSI fraction issue. The audits for LAC+USC MC and H-UCLA MC have not been scheduled. Effective August 16, 2007, MLK ceased to be certified as a participant in the Medicare program and will not undergo a hospital Medicare audit for FY 2007-08 due to low Medicare utilization.

For FY 2008-09, the Medicare audit has been completed, except for the Medicare SSI fraction issue for RLANRC. The OV-UCLA MC audit is in progress. Audits for LAC+USC MC and H-UCLA MC have not been scheduled.

For FY 2009-10, the audits are in progress for RLANRC and OV-UCLA MC. Audits for LAC+USC MC and H-UCLA MC have not been scheduled.

Revenues from the Medicare program represent approximately 6% of patient care revenue for the year ended June 30, 2011.

Revenues related to the aforementioned programs are included in the accompanying basic financial statements as hospital operating revenues. Uncollected amounts are reported as Accounts Receivable. Claims for these programs are subject to audit by State and/or federal agencies.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Accounts Receivable-net

The following is a summary, by hospital, of accounts receivable and allowances for uncollectible amounts as of June 30, 2011 (in thousands):

	<u>H-UCLA</u>	<u>OV-UCLA</u>	<u>LAC+USC</u>	<u>Rancho</u>	<u>Total</u>
Accounts receivable	\$1,463,794	\$ 789,659	\$ 2,009,053	\$ 463,408	\$ 4,725,914
Less: Allowance for Uncollectible amounts	<u>1,116,475</u>	<u>589,182</u>	<u>1,567,102</u>	<u>351,885</u>	<u>3,624,644</u>
Accounts Receivable - Net	<u>\$ 347,319</u>	<u>\$ 200,477</u>	<u>\$ 441,951</u>	<u>\$ 111,523</u>	<u>\$ 1,101,270</u>

Charity Care

Charity care includes those uncollectible amounts, for which the patient is unable to pay. Generally, charity care adjustment accounts are those accounts for which an indigence standard has been established and under which the patient qualifies. Inability to pay may be determined through one of the Department's Reduced Cost Health Care plans, through other collection efforts by the Department, by the Treasurer-Tax Collector, or by an outside collection agency. Determinations of charity care may be made prior to, at the time of service, or any time thereafter.

The total amount of such charity care provided by the hospitals for the fiscal year ended June 30, 2011, based on established rates, is as follows (in thousands):

Charges forgone	\$1,961,961
Less: Federal and State subventions	<u>0</u>
Net charges forgone	<u>\$1,961,961</u>

Hospital Fee Program (HFP)

The California Hospital Fee Program (AB 1383) and its amending legislation (AB 1653) were signed into law by the Governor of California and became effective on January 1, 2010 and September 8, 2010, respectively. HFP covers the period beginning April 1, 2009 and expired on December 31, 2010. The legislation contains two components:

- The Quality Assurance Fee Act which governs the hospital fee paid by participating hospitals (public hospitals, certain small and rural hospitals, most specialty hospitals, and long term care hospitals are exempt), and
- The Medi-Cal Hospital Provider Stabilization Act which governs the supplemental Medi-Cal payments to providers from the fund established to accumulate assessed hospital fees and matching federal funds. The legislation allows for fee-for-service and managed health care supplemental payments to private hospitals, designated public hospitals, and non-designated public hospitals. The designated public hospitals will also receive direct grants under the Program.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Hospital Fee Program (HFP)-Continued

The legislation also allows the State to retain and use a portion of the direct grants allocated to the designated public hospitals with a provision that the State allocates an equal amount of federal funds available under the Medi-Cal Hospital/Uninsured Care Demonstration Project to the designated public hospitals. The designated public hospital must have incurred sufficient expenditures so that the full amount allocated can be received as federal matching funds.

During the 7 quarters approved under this program, the non-federal funds for the managed care capitation rate increases were obtained from the provider fee.

On October 7, 2010 and December 20, 2010, CMS approved the implementation of the Program and the request to amend contracts with our local managed health care plans to receive managed health care supplemental payment plan, respectively.

During FY 2010-11, the Hospitals recognized the following revenues (in thousands):

Direct Grant	\$ 28,442
SNCP	126,998
Managed Care	<u>35,959</u>
Total	<u>\$ 191,399</u>

Hospital Provider Fee - Medi-Cal Hospital Rate Stabilization Act of 2011 (SB 90)

On April 13, 2011, the Governor signed SB 90 (Steinberg), which continued the hospital provider fee (January 1, 2011 - June 30, 2011). The only available participation for the "designated public hospitals" during the 6 month period is in the managed care component and will be financed by Intergovernmental Transfers (IGTs). On May 18, 2011 CMS approved the State plan amendment 11-006 effective January 1, 2011.

Four agreements will be required: two between DHS and DHCS, one between DHS and L.A. Care, and one between DHS and Health Net. For the year ended June 30, 2011, revenues of \$10.7 million and IGT of \$4.6 million were recognized for this program.

Martin Luther King, Jr.

Martin Luther King, Jr. Multi-Services Ambulatory Care Center

At the end of the current fiscal year, the Martin Luther King, Jr. Multi-Services Ambulatory Care Center (MLK-MACC) Enterprise Fund was merged with the Harbor-UCLA Medical Center Enterprise Fund (H/UCLA) as indicated in Note 1. During FY 2010-11, MLK-MACC completed a full year operating cycle. Net assets deficit of \$46.7 million was transferred to H/UCLA on June 30, 2011.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Martin Luther King, Jr.-Continued

Martin Luther King, Jr. Hospital

The County and the University of California ("UC"), with the State, have created a wholly independent, non-profit 501(c)(3), the Martin Luther King, Jr. – Los Angeles Healthcare Corporation, to operate a new hospital at the MLK-MACC site. The new hospital would: i) serve as a safety-net provider treating a high volume of Medi-Cal and uninsured patients and ii) be integrated with the County's existing network of specialty and primary care ambulatory clinics. The seven-member MLK Hospital Board of Directors was appointed by the County and UC effective on August 10, 2010 and is proceeding with efforts to open the new MLK Hospital. Construction of the new hospital facility at the MLK-MACC site is expected to be completed by early 2013.

14. INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund receivables and payables have been eliminated in the government-wide financial statements, except for "internal balances" that are reflected between the governmental and business-type activities. Interfund receivables and payables have been recorded in the fund financial statements. Such amounts arise due to the exchange of goods or services (or subsidy transfers) between funds that were pending the transfer of cash as of June 30, 2011.

Cash transfers related to interfund receivables/payables are generally made within 30 days after year-end. Amounts due to/from other funds at June 30, 2011 are as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Protection District	\$ 13,324
	Flood Control District	6,065
	Public Library	4,306
	Regional Park and Open Space District	2,006
	Internal Service Funds	6,321
	Waterworks Enterprise Funds	1,881
	Harbor-UCLA Medical Center	44,690
	Olive View-UCLA Medical Center	22,270
	LAC+USC Medical Center	56,619
	Rancho Los Amigos Nat'l Rehab Center	13,613
	Nonmajor Enterprise Funds	51
	Nonmajor Governmental Funds	<u>185,714</u>
		<u>356,860</u>
Fire Protection District	General Fund	5,589
	Flood Control District	1
	Internal Service Funds	1
	Nonmajor Governmental Funds	<u>459</u>
		<u>6,050</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

14. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Flood Control District	General Fund	\$ 1,629
	Internal Service Funds	3,678
	Waterworks Enterprise Funds	307
	Nonmajor Enterprise Funds	68
	Nonmajor Governmental Funds	<u>2,572</u>
		<u>8,254</u>
Public Library	General Fund	2,821
	Nonmajor Governmental Funds	<u>599</u>
		<u>3,420</u>
Regional Park and Open Space District	General Fund	3
	Nonmajor Governmental Funds	<u>448</u>
		<u>451</u>
Internal Service Funds	General Fund	19,204
	Fire Protection District	102
	Flood Control District	9,495
	Waterworks Enterprise Funds	3,245
	Harbor-UCLA Medical Center	1,328
	Olive View-UCLA Medical Center	732
	LAC+USC Medical Center	111
	Rancho Los Amigos Nat'l Rehab Center	571
	Nonmajor Enterprise Funds	165
	Nonmajor Governmental Funds	<u>42,702</u>
		<u>77,655</u>
Waterworks Enterprise Funds	General Fund	190
	Internal Service Funds	521
	Nonmajor Governmental Funds	<u>7</u>
		<u>718</u>
Harbor-UCLA Medical Center	General Fund	52,427
	Fire Protection District	40
	Internal Service Funds	36
	Olive View-UCLA Medical Center	545
	LAC+USC Medical Center	2,118
	Rancho Los Amigos Nat'l Rehab Center	41
	Nonmajor Governmental Funds	<u>26,347</u>
		<u>81,554</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

14. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Olive View-UCLA Medical Center	General Fund	\$ 16,611
	Fire Protection District	208
	Harbor-UCLA Medical Center	37
	LAC+USC Medical Center	31
	Rancho Los Amigos Nat'l Rehab Center	7
	Nonmajor Governmental Funds	20,847
		<u>37,741</u>
LAC+USC Medical Center	General Fund	57,199
	Fire Protection District	19
	Harbor-UCLA Medical Center	4,750
	Olive View-UCLA Medical Center	3,231
	Rancho Los Amigos Nat'l Rehab Center	687
	Nonmajor Governmental Funds	53,703
		<u>119,589</u>
Rancho Los Amigos Nat'l Rehab Center	General Fund	21,124
	Fire Protection District	47
	Olive View-UCLA Medical Center	26
	LAC+USC Medical Center	99
	Nonmajor Governmental Funds	21
		<u>21,317</u>
Nonmajor Enterprise Funds	Internal Service Funds	<u>1</u>
Nonmajor Governmental Funds	General Fund	287,373
	Flood Control District	318
	Public Library	11
	Internal Service Funds	9,792
	Harbor-UCLA Medical Center	256
	LAC+USC Medical Center	2
	Nonmajor Enterprise Funds	1,465
	Nonmajor Governmental Funds	17,303
		<u>316,520</u>
Total Interfund Receivables/Payables		<u>\$ 1,030,130</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

14. INTERFUND TRANSACTIONS-Continued

Interfund Transfers

Transfers were made during the year from the General Fund to subsidize the operations of the Public Library and the five hospitals. Other transfers primarily consisted of payments from the various operating funds (principally the General Fund) to debt service funds in accordance with long-term debt covenants. In addition, special revenue funds that are statutorily restricted made transfers to other funds to reimburse eligible costs incurred.

Interfund transfers to/from other funds for the year ended June 30, 2011 are as follows (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Public Library	\$ 38,552
	Internal Service Funds	104
	Harbor-UCLA Medical Center	143,327
	Olive View-UCLA Medical Center	116,201
	LAC+USC Medical Center	303,172
	M.L. King Ambulatory Care Center	56,893
	Rancho Los Amigos Nat'l Rehab Center	52,524
	Nonmajor Governmental Funds	<u>52,035</u>
		<u>762,808</u>
Fire Protection District	Nonmajor Governmental Funds	<u>2,438</u>
Flood Control District	Internal Service Funds	1,117
	Nonmajor Governmental Funds	<u>19,110</u>
		<u>20,227</u>
Public Library	General Fund	3,157
	Nonmajor Governmental Funds	<u>1,146</u>
		<u>4,303</u>
Regional Park and Open Space District	Nonmajor Governmental Funds	<u>36,168</u>
Internal Service Funds	General Fund	3,363
	Nonmajor Governmental Funds	<u>93</u>
		<u>3,456</u>
Waterworks Enterprise Funds	Internal Service Funds	<u>144</u>
Harbor-UCLA Medical Center	General Fund	12,493
	M. L. King Ambulatory Care Center	46,724
	Rancho Los Amigos Nat'l Rehab Center	3,009
	Nonmajor Governmental Funds	<u>29</u>
		<u>62,255</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

14. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Olive View-UCLA Medical Center	General Fund	\$ 6,033
	Harbor-UCLA Medical Center	19,066
	LAC+USC Medical Center	1,355
	M.L. King Ambulatory Care Center	4,292
	Nonmajor Governmental Funds	<u>980</u>
		<u>31,726</u>
Rancho Los Amigos Nat'l Rehab Center	Harbor-UCLA Medical Center	<u>6,220</u>
Nonmajor Governmental Funds	General Fund	397,634
	Flood Control District	41
	Internal Service Funds	17,032
	Harbor-UCLA Medical Center	52,735
	Olive View-UCLA Medical Center	41,732
	LAC+USC Medical Center	107,288
	M.L. King Ambulatory Care Center	1,444
	Rancho Los Amigos Nat'l Rehab Center	128
	Nonmajor Enterprise Funds	132
	Nonmajor Governmental Funds	<u>66,200</u>
		<u>684,366</u>
Total Interfund Transfers		<u>\$1,614,111</u>

Interfund Transactions

The General Fund, along with other funds that receive services from the Public Works Internal Service Fund, makes short-term advances to ensure sufficient cash is available to fund operations. In addition, the General Fund makes short-term and long-term advances to assist the Hospital Funds in meeting their cash flow requirements. The County estimates that a portion of Hospital revenue is not collectible within one year and has identified long-term receivables in each Hospital Enterprise Fund. To assist the Hospital Funds in meeting their cash flow requirements, the General Fund provided a \$194.5 million long-term advance and classified a corresponding amount of fund balance as nonspendable balance.

Advances from/to other funds at June 30, 2011 are as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
General Fund	Internal Service Funds	\$ 2,535	\$	\$ 2,535
	Harbor-UCLA Medical Center	287,109	51,744	338,853
	Olive View-UCLA Medical Center	170,318	58,616	228,934
	LAC+USC Medical Center	328,000	60,680	388,680
	Rancho Los Amigos Nat'l Rehab Center	<u>80,572</u>	<u>23,487</u>	<u>104,059</u>
		<u>868,534</u>	<u>194,527</u>	<u>1,063,061</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

14. INTERFUND TRANSACTIONS-Continued

Interfund Transactions-Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
Flood Control District	Internal Service Funds	<u>6,601</u>		<u>6,601</u>
Waterworks Enterprise				
Funds	Internal Service Funds	<u>1,308</u>		<u>1,308</u>
Nonmajor Governmental				
Funds	Internal Service Funds	11,556		11,556
	Nonmajor Enterprise Funds	<u>3,500</u>		<u>3,500</u>
		<u>15,056</u>		<u>15,056</u>
Total Interfund Advances		<u>\$ 891,499</u>	<u>\$ 194,527</u>	<u>\$1,086,026</u>

15. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP

The County's Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual on Budgetary Basis for the major governmental funds has been prepared on the budgetary basis of accounting, which is different from GAAP.

The Budget adopted by the County for FY 2010-2011 uses the fund balance language of the County Budget Act, which has not yet been updated to reflect GASB Statement 54. As such, the County has not presented the Statement of Revenue, Expenditures, and Changes in Fund Balances-Budget and Actual in using GASB Statement 54 terminology for changes in reserves and designations.

The amounts presented for the governmental fund statements are based on the modified accrual basis of accounting and differ from the amounts presented on a budgetary basis of accounting. The major areas of difference are as follows:

- For budgetary purposes, reserves and designations are recorded as other financing uses at the time they are established. Although designations are not legal commitments, the County recognizes them as uses of budgetary fund balance. Designations that are subsequently cancelled or otherwise made available for appropriation are recorded as other financing sources.
- Under the budgetary basis, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary policy is to match the use of budgetary resources (for amounts encumbered, but not yet expended) with funding sources that will materialize as revenues when actual expenditures are incurred. Under the modified accrual basis, revenues are not recognized until the qualifying expenditures are incurred.
- For the General Fund, obligations for accrued vacation and sick leave and estimated liabilities for litigation and self-insurance are recorded as budgetary expenditures to the extent that they are estimated to be payable within one year after year-end. Under the modified accrual basis of accounting, such expenditures are not recognized until they become due and payable in accordance with GASB Interpretation No. 6.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

15. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

- In conjunction with the sale of Tobacco Settlement Asset-Backed bonds in 2005-06, the County sold 25.9% of its future tobacco settlement revenues. Under the budgetary basis, the proceeds were recognized as revenues. Under the modified accrual basis, the proceeds were recorded as a sale of future revenues and were being recognized over the duration of the sale agreement, in accordance with GASB Statement No. 48. This matter is also discussed in Note 10, under the caption, "Tobacco Settlement Asset-Backed Bonds."
- Under the budgetary basis, property tax revenues are recognized to the extent that they are collectible within one year after year-end. Under the modified accrual basis, property tax revenues are recognized only to the extent that they are collectible within 60 days.
- For budgetary purposes, investment income is recognized prior to the effect of changes in the fair value of investments. Under the modified accrual basis, the effects of such fair value changes have been recognized.
- In conjunction with implementing GASB 45, the County determined that certain assets were held by LACERA (the OPEB administrator) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the modified accrual basis, the expenditures are adjusted to recognize the OPEB Agency assets at June 30, 2011.

The following schedule is a reconciliation of the budgetary and GAAP fund balances for the major governmental funds (in thousands):

	<u>General Fund</u>	<u>Fire Protection District</u>	<u>Flood Control District</u>	<u>Public Library</u>	<u>Regional Park and Open Space District</u>
Fund balance - budgetary basis	\$ 1,601,571	\$ 81,340	\$ 21,956	\$ 25,787	\$ 178,975
Reserves and designations	<u>1,150,813</u>	<u>147,592</u>	<u>140,436</u>	<u>18,493</u>	<u>131,695</u>
Subtotal	2,752,384	228,932	162,392	44,280	310,670
Adjustments:					
Accrual of estimated liability for litigation and self-insurance claims	153,766	(544)		25	
Accrual of vacation and sick leave benefits	47,379				
Deferral of sale of tobacco settlement revenue	(257,345)				
Change in revenue accruals	(109,883)	(18,759)	(5,288)	(2,620)	(589)
Change in OPEB	<u>136,142</u>	<u>8,129</u>		<u>1,308</u>	
Subtotal	<u>(29,941)</u>	<u>(11,174)</u>	<u>(5,288)</u>	<u>(1,287)</u>	<u>(589)</u>
Fund balance - GAAP basis	<u>\$ 2,722,443</u>	<u>\$ 217,758</u>	<u>\$ 157,104</u>	<u>\$ 42,993</u>	<u>\$ 310,081</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

16. COMMITMENTS AND CONTINGENCIES

Construction Commitments

At June 30, 2011, there were contractual commitments of approximately \$195.6 million for various general government construction projects and approximately \$168.6 million for various hospital construction projects that were financed by bonds and commercial paper.

LACERA Capital Commitments

At June 30, 2011, LACERA had outstanding capital commitments to various investment managers, approximating \$2,670,000,000. Subsequent to June 30, 2011, LACERA funded \$432,000,000 of these capital commitments.

Community Development Commission-Redevelopment Agency

On June 29, 2011, the State Legislature and the Governor approved two Redevelopment Agency bills, ABX1 26 and ABX1 27, into law. As calculated by the State, under the ABX1 26 and ABX1 27 legislation, the County has an outstanding commitment to pay the State \$1.8 million in 2012 and \$430,000 in 2013. There is pending lawsuit challenging the constitutionality of ABX1 26 and ABX1 27 and seeking a stay.

Encumbrances

The County uses "encumbrances" to control expenditure commitments for the year. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve portion of applicable appropriations. Depending on the source(s) of funding, encumbrances are reported as part of restricted, committed or assigned fund balance on the governmental funds balance sheet. As of June 30, 2011, the encumbrance balances for the governmental funds (in thousands) are reported as follows:

	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Total</u>
General Fund	\$	\$	\$ 381,624	\$ 381,624
Fire Protection District	14,673			14,673
Flood Control District	72,111			72,111
Public Library			10,143	10,143
Regional Park and Open Space District	59,889			59,889
Nonmajor Governmental Funds	<u>130,148</u>	<u>13,077</u>		<u>143,225</u>
Total Encumbrances	<u>\$ 276,821</u>	<u>\$ 13,077</u>	<u>\$ 391,767</u>	<u>\$ 681,665</u>

17. RISK MANAGEMENT

The County purchases insurance for certain risk exposures such as aviation, employee fidelity, boiler and machinery in certain structures, art objects, catastrophic hospital general liability, volunteer, special events, public official bond, crime, safety reserve employee death and disability, and fiduciary liability for the deferred compensation plans. There have been no settlements related to these programs that exceeded insurance coverage in the last three years. The County also has insurance on most major structures. Losses did not exceed coverage in 2008-2009, 2009-2010 or 2010-2011.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

17. RISK MANAGEMENT-Continued

The County retains the risk for all other loss exposures. Major areas of risk include workers' compensation, medical malpractice, law enforcement, theft and damage to property including natural disasters, errors and omissions, and torts. Expenditures are accounted for in the fund whose operations resulted in the loss. Claims expenditures and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. The County utilizes actuarial studies, historical data, and individual claims reviews to estimate these liabilities. The liabilities include estimable incremental claim adjustment expenses, net of salvage, and subrogation of approximately 10% of the total liabilities. They do not include other claim adjustment costs because the County does not believe it is practical or cost effective to estimate them.

As indicated in the following table, the County's workers' compensation liabilities as of June 30, 2011 were approximately \$2.071 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2011. Approximately \$117,376,000 of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2011, the County's best estimate of these liabilities is \$2.3 billion. Changes in the reported liability since July 1, 2009 resulted from the following (in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes In Estimates	Claim Payments	Balance At Fiscal Year-End
<u>2009-2010</u>				
Workers' Compensation	\$ 2,115,981	\$ 367,362	\$(323,928)	\$ 2,159,415
Other	<u>218,824</u>	<u>106,006</u>	<u>(67,122)</u>	<u>257,708</u>
Total 2009-2010	<u>\$ 2,334,805</u>	<u>\$ 473,368</u>	<u>\$(391,050)</u>	<u>\$ 2,417,123</u>
<u>2010-2011</u>				
Workers' Compensation	\$ 2,159,415	\$ 245,578	\$(334,395)	\$ 2,070,598
Other	<u>257,708</u>	<u>22,302</u>	<u>(67,760)</u>	<u>212,250</u>
Total 2010-2011	<u>\$ 2,417,123</u>	<u>\$ 267,880</u>	<u>\$(402,155)</u>	<u>\$ 2,282,848</u>

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately \$150 million are reasonably possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

18. POLLUTION REMEDIATION

GASB 49 establishes accounting and reporting guidelines for the recognition and measurement of pollution remediation obligations (liabilities).

The County is involved in several remediation actions to clean up pollution sites within its boundaries. These matters generally coincide with the County's ownership of land, buildings and infrastructure assets. In some cases, regulatory agencies (e.g., Regional Water Quality Board, State Department of Toxic Control, California Coastal Commission) notified the County of the need for remedial action. In addition, the County conducts its own environmental monitoring and this activity identifies pollution sites and matters requiring further investigation and possible remediation. Once the County is aware of these conditions, it commences monitoring, assessment, testing and/or clean up activities, and recognizes pollution remediation obligations when estimates can reasonably be determined.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

18. POLLUTION REMEDIATION-Continued

The types of pollution that have been identified include leaking underground storage tanks, water, groundwater and soil contamination, asbestos and lead paint contamination, methane gas detection and excessive levels of other contaminants. Remediation efforts include developing remediation and feasibility studies, source identification studies, site testing, sampling and analysis, ground water clean up, and removal of storage tanks, asbestos tiles and other hazardous materials.

As of June 30, 2011, the County's estimated pollution remediation obligations totaled \$28.095 million. These obligations were all associated with the County's government-wide governmental activities. Obligations of enterprise and internal service funds were immaterial. The estimated liabilities were determined by project managers, based on historical cost information for projects of the same type, size and complexity and measured at their current value. In subsequent periods, the County will adjust estimated obligations when new information indicates that such changes are required. At this time, the County has determined there are no estimated recoveries reducing the obligations.

19. FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned as described in Note 1. A detailed schedule of fund balances for all the major and nonmajor governmental funds at June 30, 2011 (in thousands) are as follows:

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District	Nonmajor Governmental Funds
Fund Balances:						
Nonspendable:						
Inventories	\$ 54,145	14,121		1,285		32,926
Long-term receivables	204,982					3,500
Permanent fund principal						2,250
Total nonspendable	259,127	14,121		1,285		38,676
Restricted for:						
General government	32,171					
Public protection	3,206	203,637	157,104			300,825
Public ways and facilities						458,916
Health and sanitation						670,628
Public assistance						252,705
Education						437
Recreation and cultural services				7,049	310,081	5,632
Capital projects						343,383
Debt service						659,517
Endowments and annuities						483
Total restricted	35,377	203,637	157,104	7,049	310,081	2,692,526
Committed to:						
General government						23
Public protection						22,106
Education						15,578
Capital projects						73,656
Total committed						111,363

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

19. FUND BALANCES-Continued

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District	Nonmajor Governmental Funds
Assigned to:						
General government	336,386					77,408
Public protection	132,225					6,168
Health and sanitation	234,838					4,671
Public assistance	50,018					
Education				34,659		
Recreation and cultural services	7,322					20,687
Capital projects						111
Imprest cash	2,249					
Total assigned	763,038			34,659		109,045
Unassigned	1,664,902					
Total Fund Balances	\$ 2,722,443	217,758	157,104	42,993	310,081	2,951,610

Reserve for "Rainy Day" Fund

On June 22, 2009, the Board established a Reserve for "Rainy Day" fund. The Reserve for "Rainy Day" fund was established and be maintained to protect essential County programs against unforeseen emergencies and economic downturns. The Reserve cap should be 10% of on-going locally generated revenue. Transfers of three percent (3%) should be made into Reserve each year, if feasible, until the 10% cap is met.

When the reserve cap of 10% is exceeded, the excess may be available for specified one-time purposes such as capital projects, unfunded retiree health obligations, efficiency measures and information technology initiatives. The objective is to avoid on-going commitments with funding that may not be sustainable in an economic downturn.

The County's "rainy-day" fund does not meet the criteria for a stabilization arrangement for reporting the funds as either restricted or committed. As such, the Reserve for "Rainy Day" funds in the amount of \$93,271,000 is reported as unassigned fund balance in the General Fund.

20. EXTRAORDINARY ITEM – DISCRETELY PRESENTED COMPONENT UNIT

On March 24, 2011, the Governor signed Assembly Bill 99 ("AB 99") into law. AB 99 established the Children and Families Health and Human Services Fund (the "CFHHSF"). As specified in the legislation, the CFHHSF will be used, upon appropriation, by the California State Legislature for health and human services. The bill requires \$1.0 billion of the combined state and local children and families funds to be deposited in the CFHHSF for the 2011-12 fiscal year. The amount required from each First 5 Commission represents 50% of the fund balance as of June 30, 2010. For First 5 LA, the AB 99 liability amount is \$424,389,000 and is due by June 30, 2012. In accordance with the legislation, no 2012-13 Commission revenues will be paid until the full AB 99 payment is made. Accordingly, the Commission has accrued the AB 99 obligation as a liability at June 30, 2011. The expense has been recorded as an extraordinary item. A lawsuit has been filed by the Commission against the State challenging that the AB 99 violates the intent of Proposition 10.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

21. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 1, 2011, the County issued \$300,000,000; \$500,000,000; and \$500,000,000 in 2011-2012 TRANS Series A, B, and C, which will mature on the following dates: February 29, 2012, March 30, 2012, and June 29, 2012. The TRANS are collateralized by taxes and other revenues attributable to the 2011-2012 fiscal year and were issued in the form of Fixed Rate Notes at effective interest rates of 0.32%, 0.34%, and 0.40%, respectively.

Tax-Exempt Commercial Paper

On August 18, 2011, the Los Angeles County Capital Asset Leasing Corporation issued an additional \$30,000,000 in tax-exempt commercial paper. The proceeds are being used to fund capital requirements of various capital projects. The commercial paper, which was initially issued at an average rate of 0.18%, is secured by a long-term lease of County real estate and a letter of credit.

Taxable Qualified Energy Conservation Bond

On August 31, 2011, the County entered into a \$14,000,000 Taxable Qualified Energy Conservation Bond (QECB) Equipment Lease/Purchase Agreement via a private placement with Bank of America Leasing & Capital, LLC. The rental payments are due on February 28th and August 31st of each year. Proceeds of the bond are being used to lease, acquire, and install Energy Conservation Equipment on County-owned land. The QECB bonds have a maturity date of August 31, 2028 and has a yield of 1.02% (after the 3.10% federal tax credit rate).

Capital Asset Leasing Corporation Lease Revenue Bond Anticipation Notes

On September 27, 2011 and November 1, 2011, the Corporation issued a \$3,500,000 and a \$7,000,000 Bond Anticipation Note with an initial interest rate of 0.525% and 0.536% respectively. The rates are adjustable on January 2 and July 1, of each year. The notes were purchased by the Los Angeles County Treasury Pool and are due on June 30, 2014. Proceeds of the notes are being used to purchase equipment. The notes are to be paid from the proceeds of lease revenue bonds.

LACERA Investment Rate of Return

On October 12, 2011, LACERA's Board of Investments voted to lower the rate of return assumption used in the actuarial valuation from the current 7.75%. Beginning July 1, 2012, the rate of return will move from 7.75% to 7.70%. On July 1, 2013, the rate will move to 7.60%, and on July 1, 2014, the rate will move to 7.50%. The estimated effect to the County is to increase the contribution to LACERA by \$15.6 million in FY 2012-13.

First 5 LA AB 99 Lawsuit

On November 21, 2011, the State of California Superior Court ("Court") ruled that AB 99 is invalid and that transferring the decision-making from the local communities to the State legislature is inconsistent with Proposition 10. Under the Court ruling, First 5 LA, would no longer be obligated to transfer \$424,389,000 to the State by June 30, 2012. Although the Court ruling is favorable to First 5 LA, the Court ruling is subject to appeal by the State of California. As such, there is no change to the extraordinary item and corresponding AB99 Liability as reported on the financial statements.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

21. SUBSEQUENT EVENTS-Continued

Capital Asset Leasing Corporation Lease Revenue Bonds

On December 21, 2011, the Corporation is expected to issue Lease Revenue Bonds in the aggregate principal amount of \$55,475,000 with a true interest cost of 1.28%. The proceeds of the bonds will be used to redeem certain bond anticipation notes, whose proceeds were originally used to finance the acquisition of equipment. The bonds mature serially December 1st and June 1st of each year, and interest is payable on December 1st and June 1st.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Los Angeles County Employees Retirement Association
Schedule of Funding Progress-Pension Plan
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/08	\$ 39,662,361	\$ 41,975,631	\$ 2,313,270	94.5%	\$ 6,123,888	37.8%
06/30/09	39,541,865	44,468,636	4,926,771	88.9%	6,547,616	75.2%
06/30/10	38,839,392	46,646,838	7,807,446	83.3%	6,695,439	116.6%

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)
Schedule of Funding Progress-Other Postemployment Benefits
(Dollar amounts in thousands)

Retiree Health Care

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2006	\$ 0	\$ 20,301,800	\$ 20,301,800	0%	\$ 5,205,804	389.98%
July 1, 2008	0	20,901,600	20,901,600	0%	6,123,888	341.31%
July 1, 2010	0	22,939,800	22,939,800	0%	6,695,439	342.62%

Long-Term Disability

July 1, 2007	\$ 0	\$ 929,265	\$ 929,265	0%	\$ 5,615,736	16.55%
July 1, 2009	0	951,797	951,797	0%	6,547,616	14.54%
July 1, 2011	0	1,018,898	1,018,898	0%	6,695,439	15.22%

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note 1)	Federal Expenditures
<u>U.S. Agency for International Development</u>			
<i>Direct Program</i>			
International Search and Rescue Operations	98.001		\$ 1,995,303
Total U.S. Agency for International Development			<u>1,995,303</u>
<u>U.S. Department of Agriculture</u>			
<i>Direct Program</i>			
Emergency Watershed Protection Program - (See Note 7)	10.923		(48,103)
<i>Passed Through the Calif Department of Education</i>			
Child Nutrition Program - School Breakfast	10.553 (2)		1,511,646
Child Nutrition Program - School Lunch	10.555 (2)		2,365,982
Summer Food Service Program for Children	10.559 (2)	CN090480	34,355
Summer Food Service Program for Children	10.559 (2)	19-8619OV	554,585
<i>Subtotal Child Nutrition Cluster (10.553, 10.555, 10.559)</i>			<u>4,466,568</u>
<i>Passed Through the Calif Department of Food and Agriculture</i>			
Glassy Winged Sharpshooter (GSS)	10.025	09-8500-0484-CA	592,770
Pest Detection Emergency Program	10.025	10-8520-1399-CA	2,007,403
Pest Exclusion/Dog Teams Program	10.025	08-8520-1906-CA	337,568
Sudden Oak Death (SOD) Program	10.025	09-8523-0572-CA	127,641
<i>Subtotal 10.025</i>			<u>3,065,382</u>
Shell Eggs Standard Enforcement	10.162		2,478
Senior Farmer's Market Program	10.576		116,000
<i>Passed Through the Calif Department of Public Health</i>			
Nutrition Program - Network for A Healthy California - (See Note 7)	10.561 (1)	08-85178	1,517,990
<i>Passed Through the Calif Department of Social Services</i>			
Supplemental Nutrition Assistance Program (SNAP) - Administration (CalFresh)	10.561 (1)	5180	172,281,543
Total U.S. Department of Agriculture			<u>181,401,858</u>
<u>U.S. Department of Defense</u>			
<i>Direct Program</i>			
Procurement Technical Assistance	12.002		190,085
Total U.S. Department of Defense			<u>190,085</u>
<u>U.S. Department of Education</u>			
<i>Direct Program</i>			
Supplemental Educational Opportunity Grants	84.007 (19)		17,296
Pell Grants	84.063 (19)		216,455
Academic Competitiveness Grants	84.375 (19)		975
<i>Passed Through the Los Angeles Unified School District</i>			
Federal Safe Schools-Healthy Students Grant	84.184		90,587
Safe School-Healthy Students Grant	84.184	1000121	105,863
<i>Subtotal 84.184</i>			<u>196,450</u>

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note 1)	Federal Expenditures
<i>Passed Through the Calif Department of Alcohol and Drugs</i>			
Drug Free Schools and Communities (DFSC) - Friday Night Live	84.186	50b-11	\$ 75,000
Drug Free Schools and Communities - Club Live	84.186	50c-11	75,000
<i>Subtotal 84.186</i>			<u>150,000</u>
<i>Passed Through the Calif Department of Education</i>			
<i>Passed Through the Los Angeles County Office of Education</i>			
Individuals with Disabilities Education Act (IDEA)	84.027	(10)	15,235,678
Total U.S. Department of Education			<u>15,816,854</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Direct Program</i>			
Public Health Emergency Response Phase III	93.069		10,108,376
Public Health Preparedness and Response for Bioterrorism	93.069		21,449,975
<i>Subtotal 93.069</i>			<u>31,558,351</u>
Emergency System for Advance Registration of Volunteer Health Professionals	93.089		136,513
Child Mental Health Initiative Grant	93.104		1,141,506
Tuberculosis/Centers for Disease Control Cooperative Agreement	93.116		4,765,257
Active Varicella Surveillance and Epidemic Studies	93.185		271,671
Childhood Lead Poisoning Case Management	93.197		652,263
Project ABC Family Wellness Network	93.243		262,551
Adult Viral Hepatitis Prevention Coordinator	93.283		86,943
Los Angeles County Sodium Reduction Initiative (LACSRI)	93.283		193,131
State Epidemiology and Lab Surveillance Responses	93.283		762,075
<i>Subtotal 93.283</i>			<u>1,042,149</u>
Strengthening Public Health Infrastructure for Improved Health Outcomes	93.507		350,106
Patient Protection and Affordable Care Act (PPACA)	93.521		319,877
Enhanced HIV Prevention Planning and Implementation	93.523		255,211
Diligent Recruitment of Families for Children in the Foster Care System	93.652		22,889
Bioterrorism Hospital Preparedness Program	93.889		11,322,917
HIV Emergency Relief Project Grant	93.914		29,739,406
Minority AIDS Initiative (MAI)	93.914		3,017,013
<i>Subtotal 93.914</i>			<u>32,756,419</u>
Expanded and Integrated HIV Testing for Populations	93.940		886,788
HIV Prevention Project	93.940		8,325,844
National HIV Behavioral Surveillance	93.940		400,531
<i>Subtotal 93.940</i>			<u>9,613,163</u>
Enhanced HIV/AIDS Surveillance for Perinatal Prevention	93.941		106,327
PS09-007 Evaluating Locally-Developed Homegrown HIV Prevention Interventions	93.941		164,637
<i>Subtotal 93.941</i>			<u>270,964</u>
HIV AIDS Surveillance and Seroprevalence	93.944		2,421,883
Morbidity and Risk Behavior Surveillance	93.944		500,154
<i>Subtotal 93.944</i>			<u>2,922,037</u>

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note 1)	Federal Expenditures
Comprehensive STD Preventions Systems	93.977		\$ 3,747,089
STD Surveillance Network	93.977		88,390
<i>Subtotal 93.977</i>			<u>3,835,479</u>
<i>Passed Through the Association of Public Health Laboratories</i>			
Tuberculosis (TB) Nucleic Acid Amplification Testing (NAAT)	93.065	1U60HM000803	7,085
<i>Passed Through the Calif Family Health Council</i>			
Family Planning	93.217		866,674
<i>Passed Through the Council of State and Territorial Epidemiologist (CSTE)</i>			
Influenza Incidence Surveillance Project	93.283	5U38HM000414	175,993
<i>Passed Through the Health Research Association, Inc</i>			
Integrated, Multi-Level Interventions to Improve Adolescent Health	93.977	9U83PS922283-07	283,315
<i>Passed Through the University of California, Los Angeles</i>			
Effectiveness of Peer Navigation to Link Released HIV / Jail Inmates to HIV Care	93.279	RDA030781A	332,722
<i>Passed Through the Calif Department of Aging</i>			
Title VII - Elder Abuse Prevention	93.041	AP1011-19	91,945
Title VII - Ombudsman	93.042	AP1011-19	147,168
Area Agency on Aging III D	93.043	AP1011-19	410,135
Area Agency on Aging III B	93.044 (11)	AP1011-19	6,141,835
Area Agency on Aging III C-I	93.045 (11)	AP1011-19	6,642,971
Area Agency on Aging III C-II	93.045 (11)	AP1011-19	4,807,322
<i>Subtotal 93.045</i>			<u>11,450,293</u>
Area Agency on Aging Title III E	93.052	AP1011-19	2,381,725
Area Agency on Aging III USDA CI	93.053 (11)	AP1011-19	831,600
Area Agency on Aging III USDA CII	93.053 (11)	AP1011-19	756,539
<i>Subtotal 93.053</i>			<u>1,588,139</u>
Area Agency on Aging - Medicare Improvement Patient Provider Act (MIPPA)	93.071	MI-0910-19	66,813
Area Agency on Aging - 2nd Medicare Improvements for Patients Providers Act (2 MIPPA)	93.518	2M-1011-19	42,949
Area Agency on Aging - 2nd Health Insurance Counseling Advocacy Program (HICAP)	93.779	2M-1011-19	61,804
Area Agency on Aging - Health Insurance Counseling and Advocacy Program (HICAP)	93.779	HI-1011-19	296,200
Area Agency on Aging - Health Insurance Counseling and Advocacy Program (HICAP) - Medicare Improvement Patient Provider Act (MIPPA)	93.779	MI-0910-19	20,708
<i>Subtotal 93.779</i>			<u>378,712</u>

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note 1)	Federal Expenditures
<i>Passed Through the Calif Department of Alcohol and Drugs</i>			
Co-Occurring Disorders Court Program Enhancement	93.243		\$ 422,196
Screening and Brief Intervention and Referral to Treatment (SBIRT)	93.243	TI015954	645,818
<i>Subtotal 93.243</i>			<u>1,068,014</u>
Federal Drug Medi-Cal (Prenatal and Drug) FMAP	93.778 (16)		3,887,381
Alcohol Block Grant	93.959		37,081,484
Federal Female Offender	93.959		382,551
New Prenatal Set - Aside	93.959		3,704,481
Substance Abuse Block Grant New HIV Set - Aside	93.959		4,466,819
Substance Abuse Prevention and Treatment Block Grant Adolescent Treatment	93.959		1,597,708
Substance Abuse Prevention and Treatment Set-Aside	93.959		12,891,755
<i>Subtotal 93.959</i>			<u>60,124,798</u>
<i>Passed Through the Calif Department of Child Support Services</i>			
Child Support Enforcement Title IV D	93.563		106,120,156
<i>Passed Through the Calif Department of Community Services and Development</i>			
Community Services Block Grant - (See Note 5)	93.569 (14)	10F-4022	4,828,117
Community Services Block Grant - (See Note 5)	93.569 (14)	11F-4222	2,281,525
Community Services Block Grant American Indian - (See Note 5)	93.569 (14)	10F-4060	176,900
Community Services Block Grant American Indian - (See Note 5)	93.569 (14)	11F-4260	135,353
<i>Subtotal 93.569</i>			<u>7,421,895</u>
<i>Passed Through the Calif Department of Education</i>			
Child Care Salary Retention Incentive Program - (See Note 7)	93.575 (15)	CRET-0018	3,067,139
Local Child Care Planning and Development Council (LCCPDC) - (See Note 7)	93.575 (15)	CLPC-1019	188,779
<i>Subtotal 93.575</i>			<u>3,255,918</u>
Child Day Care Program	93.596 (15)	CAPP-0032	9,733,370
<i>Passed Through the Calif Department of Health Services</i>			
Child Health and Disability Program	93.778 (16)	75-0512-0-1-551	5,161,460
Health Care Program Children In Foster Care	93.778 (16)	75-0512-0-1-551	7,592,074
In Home Supportive Services - Personal Care Services Program Health Related	93.778 (16)	4260	63,191,448
Medi-Cal Administrative Activities (MAA)	93.778 (16)	04-35096	10,518,588
Medi-Cal Eligibility Determination	93.778 (16)	4260	191,871,225
<i>Subtotal 93.778</i>			<u>278,334,795</u>
<i>Passed Through the Calif Department of Mental Health</i>			
McKinney Homeless Act Program	93.150		1,933,077
Mental Health Services: Block Grant	93.958		14,646,080
<i>Passed Through the Calif Department of Public Health</i>			
Immunization Calendar Year	93.268 (12)	09-11332	5,515,268
Health Facilities Inspection	93.777 (16)	08-85192	14,430,872
HIV Care Program	93.917	07-65058	8,433,354
HIV Prevention Program	93.940	07-65058	1,262,002

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note 1)	Federal Expenditures
Refugee Preventive Health Services	93.978	10-70-90840-00	\$ 2,061,229
Maternal and Child Health	93.994	201019	2,326,051
<i>Passed Through the Calif Department of Social Services</i>			
Kinship Guardianship Assistance Payment Program (KIN-GAP) Title IV-E	93.090	CFL 10/11-61	199,897
Promoting Safe and Stable Families Program (PSSF)	93.556	CFL 10/11-02	8,785,385
Calworks - FG/U Assistance	93.558 (13)	5180	423,049,613
Calworks Diversion - Federal	93.558 (13)	5180	11,884
Calworks Fraud Incentives	93.558 (13)	5180	51,010
Calworks Legal Immigrants (MC)	93.558 (13)	5180	11,433,739
Calworks Single	93.558 (13)	5180	482,420,550
Temporary Assistance for Needy Families (TANF)	93.558 (13)	CFL 10/11-47	58,090,442
<i>Subtotal 93.558</i>			<u>975,057,238</u>
Refugee Employment Social Services	93.566	5180	2,283,056
Refugee Resettlement	93.566	5180	4,489,605
<i>Subtotal 93.566</i>			<u>6,772,661</u>
Older Refugee Discretionary Grant	93.576	5180	86,898
Refugee Targeted Assistance Program	93.584	5180	1,776,659
Adoption Incentive Program (AIP) Title IV-E	93.603	CFL 10/11-19	657,550
Children's Welfare Services IV B (Direct Cost)	93.645	CFL 10/11-47	8,452,175
California Partnership for Permanency (CAPP)	93.648		104,268
Aid to Families with Dependent Children - FC - Administration and Assistance	93.658	CFL 10/11-47	131,534,547
Child Welfare Services Outcome Improvement Project (Cohort 1)	93.658	CFL 10/11-47	1,514,945
Foster Care Title IV-E	93.658	CFL 10/11-47	297,734,029
Foster Family Licensing	93.658	CFL 10/11-12	262,031
Foster Parent Training	93.658	CFL 10/11-47	110,247
Group Home Month Visits / CWD	93.658	CFL 10/11-47	1,190,849
<i>Subtotal 93.658</i>			<u>432,346,648</u>
Adoptions - Administration and Assistance	93.659	CFL 10/11-08	122,146,506
Children's Welfare Services Title XX	93.667	CFL 10/11-47	35,992,000
Independent Living Skills - Children's Services	93.674	CFL 10/11-33	7,337,134
Adult Protective Services/County Services Block Grant	93.778 (16)	5180	17,540,635
Children's Welfare Services XIX (Hlth Reel)	93.778 (16)	CFL 10/11-47	37,693,577
<i>Subtotal 93.778</i>			<u>55,234,212</u>
<i>Passed Through the Calif Emergency Management Agency</i>			
Children Exposed to Domestic Violence Specialized Response Program (CEDV)	93.643	037-00000	239,845
<i>Passed Through the Calif Secretary of State</i>			
Help America Vote Act Section 261 Elections Assistance for Individuals with Disabilities	93.617		183,639
Help America Vote Act Section 261 HAVA Polling Place Accessibility Training Program	93.617		4,999
<i>Subtotal 93.617</i>			<u>188,638</u>
Total U.S. Department of Health and Human Services			<u>2,301,796,800</u>

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note 1)	Federal Expenditures
<u>U.S. Department of Homeland Security</u>			
<i>Direct Program</i>			
Urban Search and Rescue	97.025		\$ 609,767
TSA National Explosives Detection Canine Team Program	97.072		584,917
<i>Passed Through the United Way</i>			
Emergency Food and Shelter National Board Program	97.024	(18)	53,040
<i>Passed Through the Calif Department of Boating and Waterways</i>			
Boating and Waterways 10-204-799	97.012	97-012	21,780
Boating and Waterways-Marina Del Rey	97.012	97-012	29,197
Boating and Waterways-Marina Del Rey/ Santa Monica Bay	97.012		76,285
Subtotal 97.012			<u>127,262</u>
<i>Passed Through the Calif Emergency Management Agency</i>			
2005 Winterstorms	97.036	037-00000	2,077,823
2005 Winterstorms #2	97.036	037-00000	1,336,106
2007 Wildfires (Santa Clarita Valley)	97.036	037-00000	275,948
2008 Wildfires	97.036	037-00000	1,018,757
Earthquake (Northridge)	97.036	037-00000	84,515
Subtotal 97.036			<u>4,793,149</u>
Hazard Mitigation Grant - (See Note 7)	97.039	037-00000	483,486
2010 Emergency Management Performance Grant	97.042	037-00000	916,083
Fire Management Assistance Grant- Palos Verdes Fire	97.046	037-00000	218,772
Fire Management Assistance Grant- Station Fire	97.046	037-00000	2,481,172
Subtotal 97.046			<u>2,699,944</u>
State Homeland Security Program 06	97.067	(17) 037-00000	172,267
State Homeland Security Program 07	97.067	(17) 037-00000	15,589,306
State Homeland Security Program 08	97.067	(17) 037-00000	3,937,873
State Homeland Security Program 09	97.067	(17) 037-00000	32,562
State Homeland Security Program 10	97.067	(17) 037-00000	40,711
Subtotal 97.067			<u>19,772,719</u>
Transit Security Grant Program Supplemental	97.075	037-91201	270,433
Buffer Zone Protection Program 07	97.078	037-00000	1,855,260
Chemical Buffer Zone Protection Program 06	97.078	037-00000	3,938,042
Subtotal 97.078			<u>5,793,302</u>
<i>Passed Through the Calif Emergency Management Agency</i>			
<i>Passed Through the City of Los Angeles</i>			
Homeland Security Grant Program 06 - (See Note 8)	97.067	(17) 037-95050	1,364,082
Homeland Security Grant Program 07 - (See Note 8)	97.067	(17) 037-95050	9,272,172
Homeland Security Grant Program 08 - (See Note 8)	97.067	(17) 037-95050	565,519
Homeland Security Grant Program 09 - (See Note 8)	97.067	(17) 037-95050	175,443
Homeland Security Grant Program 10 - (See Note 8)	97.067	(17) 037-95050	116,378
Subtotal 97.067			<u>11,493,594</u>

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note 1)	Federal Expenditures
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	037-95050	\$ 328,345
Total U.S. Department of Homeland Security			<u>47,926,041</u>
<u>U.S. Department of Housing and Urban Development (HUD)</u>			
<i>Direct Program</i>			
Homeless Foster Youth Program (HFYP)	14.235		2,202,212
<i>Passed Through the Los Angeles County Community Development Commission</i>			
Adventure Park Recreation Program	14.218 (3)	F96410-09	68,091
Amigo Park Mobile Recreation Program	14.218 (3)	F96409-09	27,995
Burke's Club Drug Prevention and Gang Intervention	14.218 (3)	F96228-09	104,690
Century Station Code Enforcement Project	14.218 (3)		199,991
Community Code Enforcement 4th District	14.218 (3)		34,999
Community Code Enforcement East Los Angeles-1st District	14.218 (3)		327,960
Community Development Block Grant	14.218 (3)		241,846
Community Development Block Grant - Santa Clarita Service Center	14.218 (3)	F96517-10	10,000
Fraud Prevention for Senior and Families	14.218 (3)	600978-10	96,284
Hacienda Heights Community Recreation Program	14.218 (3)	F96411-09	32,119
Homeowners Fraud Prevention Program	14.218 (3)	F96227-10	45,598
Loma Alta Park Recreation Program	14.218 (3)	600475-09	28,024
Pamela Park Recreation Program	14.218 (3)	600482-09	27,098
Pathfinder Senior Recreation Program	14.218 (3)	F98415-09	13,307
Pearblossom Park Recreation Program	14.218 (3)	600483-09	26,334
Project Star (La Puente/Graham Library)	14.218 (3)		41,876
Project Star (Studying, Tutoring, and Reading)	14.218 (3)		59,325
Rowland Heights Youth Athletic League Program-Carolyn Rosas Park	14.218 (3)		34,203
Valleydale Park After-School Program	14.218 (3)	601346-09	24,995
<i>Subtotal 14.218</i>			<u>1,444,735</u>
Economic Development Initiative (EDI) (South Health Center Replacement Project) - (See Note 7)	14.246	E95-EZ-06-0002	7,404,998
Section 108 Loan Guarantees (South Health Center Replacement Project) - (See Note 7)	14.248	B94-UC-06-0505	7,404,998
Total U.S. Department of Housing and Urban Development (HUD)			<u>18,456,943</u>
<u>U.S. Department of Interior</u>			
<i>Direct Program</i>			
National Rec Area Vac Lot Weeding	15.230		3,286
Total U.S. Department of Interior			<u>3,286</u>
<u>U.S. Department of Justice</u>			
<i>Direct Program</i>			
Asset Seizure and Forfeiture	16.000		5,539,619
2009 Earmarks Programs	16.541		66,076
Altadena Youth Activities League Congressional Earmark Program	16.541		2,581
Office of Juvenile Justice and Delinquency Prevention Act (Adam Schiff)	16.541		101,752
<i>Subtotal 16.541</i>			<u>170,409</u>
2009 Solving Cold Cases with DNA	16.560		220,318
DNA Forensic Casework Backlog Red Program	16.560		28,831
Forensic Science Training Development and Delivery Program	16.560		20,185

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note 1)	Federal Expenditures
DNA Technology to Identify the Missing	16.560		\$ 22,584
<i>Subtotal 16.560</i>			<u>291,918</u>
Adult Drug Court Discretionary Grant Program	16.585		84,057
Women's Re-Entry	16.585		66,346
<i>Subtotal 16.585</i>			<u>150,403</u>
State Criminal Alien Assistance Program (SCAAP) - (See Note 4)	16.606		14,292,913
Bulletproof Vest Partnership Program	16.607		17,756
Cops 2002 Technology Program	16.710		64,114
Cops 2003 Technology Program	16.710		248,375
Cops 2005 Technology Program	16.710		126,549
Cops 2009 Technology Program	16.710		195,589
Cops Secure Our Schools Program	16.710		18,306
RCPI Integrity/Public Trust Initiative	16.710		48,155
<i>Subtotal 16.710</i>			<u>701,088</u>
Gang Resistance, Education and Training	16.737		84,664
Forensic DNA Backlog Reduction Program 09	16.741		1,435,710
Forensic DNA Backlog Reduction Program 10	16.741		1,122,289
<i>Subtotal 16.741</i>			<u>2,557,999</u>
Justice and Mental Health Collaboration Program 09	16.745		46,135
Counterfeit and Piracy Enforcement Team Program (CAPE)	16.751		243,156
2009 Congressionally Selected Awards Program - Advanced Surveillance and Protection (ASAP)	16.753		32,515
2009 Congressionally Selected Awards Program - Gang Coplink Project	16.753		3,554
2010 Congressionally Selected Awards Program - Gang Coplink Project	16.753		4,488
<i>Subtotal 16.753</i>			<u>40,557</u>
Southwest Border Prosecution Initiative (SWBPI) - (See Note 4)	16.755		4,651,370
Second Chance Act Adult and Juvenile offender Reentry Demonstration Projects Grant	16.812		150,219
<i>Passed Through the City of Los Angeles</i>			
Altadena - Mountain Rescue (JAG) 07	16.738	(4)	14,153
Altadena - Patrol Targeted Services (JAG) 07	16.738	(4)	29,676
Alternative Sentencing Program (JAG)	16.738	(4)	208,000
At-Risk Youth (School Based Education Program) (JAG 2006)	16.738	(4)	277,766
At Risk Youth Countywide (JAG) 07	16.738	(4)	16,899
City Clear (JAG)	16.738	(4)	694,679
City Clear (JAG) Foothill	16.738	(4)	99,907
City Clear (JAG) Various Sites	16.738	(4)	843,187
Community Law Enforcement and Recovery (CLEAR) (JAG)	16.738	(4)	89,695
Community Law Enforcement and Recovery (CLEAR) (JAG) Foothill	16.738	(4)	70,000
Crescenta Valley - Narcotics Training (JAG) 09	16.738	(4)	5,761
Justice Assistance Grant (JAG) CVCC 07	16.738	(4)	6,832
Justice Assistance Grant (JAG) Toberman Neighborhood Center 06	16.738	(4)	64,929
Justice Assistance Grant (JAG) Toberman Neighborhood Center 07	16.738	(4)	75,947
Lancaster - Quartz Hill (JAG) 07	16.738	(4)	5,269
Palmdale - Radar Instruments (JAG) 09	16.738	(4)	4,990
Retail Skills Vocational Program (JAG) 06	16.738	(4)	14,909
Rosemont School (JAG) 06	16.738	(4)	25,000

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note 1)	Federal Expenditures
Santa Clarita - Juvenile Intervention Team (JAG) 07	16.738 (4)		\$ 18,079
Strategies Against Gang Environments (SAGE) (JAG)	16.738 (4)		265,000
Temple - Sweep Operations (JAG) 07	16.738 (4)		49,662
Temple - Youth Athletic League Pamela Park (JAG) 09	16.738 (4)		35,000
We-Tip (JAG) 07	16.738 (4)		8,000
<i>Subtotal 16.738</i>			<u>2,923,340</u>
<i>Passed Through the Calif Department of Corrections and Rehabilitation</i>			
Juvenile Accountability Block Grant	16.523	CSA 183-10	819,782
Disproportionate Minority Contact Support Project	16.540		36,580
Disproportionate Minority Contact Technical Assistance Project	16.540		79,870
<i>Subtotal 16.540</i>			<u>116,450</u>
<i>Passed Through the Calif Emergency Management Agency</i>			
Elder Abuse Advocacy and Outreach Program (EAAOP-VOC)	16.575	037-00000	51,148
Special Emphasis Victim Assistance Program (SEVAP)	16.575	037-00000	40,810
Underserved Victim Advocacy and Outreach Program (UV)	16.575	037-00000	92,909
Victim Witness Assistance Program (VWAP)	16.575	037-00000	2,956,870
<i>Subtotal 16.575</i>			<u>3,141,737</u>
Anti-Gang Community Based Data System	16.580	037-00000	164,035
Lancaster Domestic Violence Program	16.588	037-00000	61,935
Stalking and Threat Assessment Team (STAT)	16.588	037-00000	230,382
<i>Subtotal 16.588</i>			<u>292,317</u>
Residential Substance Abuse Treatment	16.593	037-00000	117,230
Project Safe Neighborhoods	16.609	037-00000	20,000
JAG Anti-Drug Abuse (ADA) Enforcement Team Program	16.738 (4)	037-00000	590,182
JAG Clearinghouse Electronic Surveillance System	16.738 (4)	037-00000	325,666
<i>Subtotal 16.738</i>			<u>915,848</u>
Coverdell Forensic Sciences Improvement Act Program 10	16.742	037-00000	140,344
Paul Coverdell Forensic	16.742	037-00000	199,107
<i>Subtotal 16.742</i>			<u>339,451</u>
Total U.S. Department of Justice			<u>37,788,396</u>
<u>U.S. Department of Labor</u>			
<i>Direct Program</i>			
Workforce Investment Act Young Offender Re-Entry Planning Grant	17.261		179,056
<i>Passed Through the Calif Department of Aging</i>			
Older American Title V Project	17.235	TV1011-19	2,462,013
Title V Senior Community Services Employment Program (SCSEP)	17.235	AA-0910-19	1,068,752
<i>Subtotal 17.235</i>			<u>3,530,765</u>
<i>Passed Through the Calif Employment Development Department</i>			
Workforce Investment Act 15% Adult	17.258 (5)	K074145	350,000
Workforce Investment Act 15% RDI New Start	17.258 (5)	K178664	440,442

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note 1)	Federal Expenditures
Workforce Investment Act Adult	17.258 (5)	K074145	\$ 5,121,263
Workforce Investment Act Adult	17.258 (5)	K178664	8,081,661
<i>Subtotal 17.258</i>			<u>13,993,366</u>
Workforce Investment Act Youth	17.259 (5)	K074145	4,750,570
Workforce Investment Act Youth	17.259 (5)	K178664	7,969,888
Workforce Investment Act Youth	17.259 (5)	K282479	412,048
<i>Subtotal 17.259</i>			<u>13,132,506</u>
Workforce Investment Act Dislocated Worker	17.260 (5)	K074145	5,685,330
Workforce Investment Act Dislocated Worker	17.260 (5)	K178664	227,556
Workforce Investment Act Rapid Response	17.260 (5)	K178664	8,039
<i>Subtotal 17.260</i>			<u>5,920,925</u>
Workforce Investment Act Dislocated Worker	17.278 (5)	K178664	9,787,520
Workforce Investment Act Dislocated Worker	17.278 (5)	K282479	70,090
Workforce Investment Act Rapid Response	17.278 (5)	K178664	742,861
<i>Subtotal 17.278</i>			<u>10,600,471</u>
Total U.S. Department of Labor			<u>47,357,089</u>
<u>U.S. Department of Transportation</u>			
<i>Direct Program</i>			
Airport Improvement Program	20.106		1,494,673
Vacant Lot Clearance-Federal Aviation	20.106		4,168
<i>Subtotal 20.106</i>			<u>1,498,841</u>
<i>Passed Through the Los Angeles Metropolitan Transportation Authority</i>			
New Freedom Program	20.521 (7)		5,192
<i>Passed Through the Calif Department of Transportation</i>			
1998/1999 Demonstration	20.205 (6)		160,215
Bridge Retrofit Program	20.205 (6)		8,948,547
Congestion Mitigation and Air Quality Program	20.205 (6)		56,710
Emergency Relief Program	20.205 (6)		787,154
Federal Safe Routes to School (SRTS)	20.205 (6)		203,402
Highway Bridge Rehabilitation	20.205 (6)		2,349,277
Highway Safety Improvement Program (HSIP)	20.205 (6)		295,465
Surface Transportation Program (STP)	20.205 (6)		174,558
Transportation, Community and System Preservation	20.205 (6)		55,571
Transportation Enhancement Activities	20.205 (6)		293,054
<i>Subtotal 20.205</i>			<u>13,323,953</u>
<i>Passed Through the Calif Emergency Management Agency</i>			
2009 Hazardous Materials Emergency Preparedness Grant	20.703	037-00000	13,528
Hazardous Materials Emergency Preparedness Grant 10	20.703	037-00000	23,268
<i>Subtotal 20.703</i>			<u>36,796</u>

**COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note 1)	Federal Expenditures
<i>Passed Through the Calif Office of Traffic Safety</i>			
DUI Enforcement and Education for Contract Cities	20.600 (8)		\$ 320,344
Office of Traffic and Safety Program Driving Under the Influence	20.600 (8)		371,621
Traffic Enforcement and Collision Reduction Program	20.600 (8)		639,161
<i>Passed Through the Calif Office of Traffic Safety</i>			
<i>Passed Through the University of California, Berkeley</i>			
Next Generation - Click It or Ticket 11	20.600 (8)		2,894
<i>Subtotal 20.600</i>			<u>1,334,020</u>
Sobriety Checkpoint Mini-Grant Program	20.608		28,034
Total U.S. Department of Transportation			<u>16,226,836</u>
<u>U.S. Election Assistance Commission</u>			
<i>Passed Through the Calif Secretary of State</i>			
Help America Vote Act Section 301 Voting Systems Program	90.401		50,511
Help America Vote Act Section 303 VoteCal Statewide Voter Registration System Program	90.401		20,298
<i>Subtotal 90.401</i>			<u>70,809</u>
Total U.S. Election Assistance Commission			<u>70,809</u>
<u>U.S. Environmental Protection Agency</u>			
<i>Direct Program</i>			
Fish Contamination Inspection, Outreach and Education (Environmental Health)	66.802		15,496
Fish Contamination Inspection, Outreach and Education (Toxics Epidemiology)	66.802		115,118
<i>Subtotal 66.802</i>			<u>130,614</u>
Total U.S. Environmental Protection Agency			<u>130,614</u>
<u>U.S. Executive Office of the President</u>			
<i>Direct Program</i>			
High Intensity Drug Traffic (HIDTA)	95.001		111,426
Total U.S. Executive Office of the President			<u>111,426</u>
<u>U.S. Institute of Museum and Library Services</u>			
<i>Direct Program</i>			
Community and Family Place -San Gabriel Library	45.312		14,081
Lifelong Learning Center at Pico Rivera Library	45.312		42,076
<i>Subtotal 45.312</i>			<u>56,157</u>
<i>Passed Through the California State Library</i>			
California State Library's Family Place Initiative	45.310		106,246
Implementing a Recareering Program in the Public Library (Transforming Life after 50 Grant)	45.310		7,325
<i>Subtotal 45.310</i>			<u>113,571</u>
Total U.S. Institute of Museum and Library Services			<u>169,728</u>
Subtotal Non American Recovery and Reinvestment Act (Non-ARRA) Schedule of Expenditures of Federal Awards			<u>\$ 2,669,442,068</u>

COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note 1)	Federal Expenditures
SCHEDULE OF EXPENDITURES OF AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)			
<u>U.S. Department of Agriculture</u>			
<i>Passed Through the Calif Department of Social Services</i>			
ARRA-Supplemental Nutrition Assistance Program (SNAP) - Administration (CalFresh)	10.561 (1)	5180	\$ 2,996,342
Total U.S. Department of Agriculture			<u>2,996,342</u>
<u>U.S. Department of Education</u>			
<i>Passed Through the Calif Department of Education</i>			
<i>Passed Through the Los Angeles Unified School District</i>			
ARRA-Steps to Excellence Project (STEP)	84.389 (9)		139,055
Total U.S. Department of Education			<u>139,055</u>
<u>U.S. Department of Energy</u>			
<i>Direct Program</i>			
ARRA-Energy Efficiency and Conservation Block Grant	81.128		353,196
ARRA-Energy Efficiency and Conservation Block Grant-Better Buildings	81.128		4,586,186
<i>Subtotal 81.128</i>			<u>4,939,382</u>
Total U.S. Department of Energy			<u>4,939,382</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Direct Program</i>			
ARRA-Pneumococcal Conjugate Vaccine (PCV-13)	93.712 (12)		69,420
ARRA-Varicella Active Surveillance Project	93.712 (12)		204,952
<i>Subtotal 93.712</i>			<u>274,372</u>
ARRA-Category A: Communities Putting Prevention to Work	93.724		7,316,878
ARRA-Category B: Tobacco Prevention and Control	93.724		5,445,829
<i>Subtotal 93.724</i>			<u>12,762,707</u>
<i>Passed Through the Calif Department of Alcohol and Drugs</i>			
ARRA-Federal Drug Medi-Cal (Prenatal and Drug) FMAP	93.778 (16)		676,406
<i>Passed Through the Calif Department of Child Support Services</i>			
ARRA-Child Support Enforcement Title IV D	93.563		3,690,936
<i>Passed Through the Calif Department of Community Services and Development</i>			
ARRA-Community Services Block Grant	93.710 (14)	09F-5122	7,439,190
ARRA-Community Services Block Grant American Indian	93.710 (14)	09F-5158	329,701
<i>Subtotal 93.710</i>			<u>7,768,891</u>
<i>Passed Through the Calif Department of Health Services</i>			
ARRA-Targeted Case Management (TCM) FMAP	93.778 (16)		1,340,209
<i>Passed Through the Calif Department of Public Health</i>			
ARRA-Beach Water Quality Monitoring and Public Notification Services	66.454	10-95315	35,350

**COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note 1)	Federal Expenditures
<i>Passed Through the Calif Department of Social Services</i>			
ARRA-Adoptions-Administration and Assistance FMAP	93.659	CFL 09/10-10	\$ 8,524,226
ARRA-Aid to Families with Dependent Children-FC-Administration and Assistance FMAP	93.658	CFL10/11-03	13,259,041
ARRA-Temporary Assistance Needy Families (TANF) Emergency Contingency Fund (ECF)	93.714 (13)	5180	74,615,060
ARRA-Temporary Assistance Needy Families (TANF) Emergency Contingency Fund (ECF) - Summer Youth Employment	93.714 (13)	11CS003	12,613,630
<i>Subtotal 93.714</i>			<u>87,228,690</u>
ARRA-In Home Supportive Services-Personal Care Services Program Health Related-FMAP	93.778 (16)	5180	10,862,097
Total U.S. Department of Health and Human Services			<u>146,422,925</u>
<u>U.S. Department of Homeland Security</u>			
<i>Direct Program</i>			
ARRA-Assistance to Firefighters Fire Station Construction Grant	97.115		830,704
ARRA-Port Security Grant Program (PSGP)	97.116		476,820
Total U.S. Department of Homeland Security			<u>1,307,524</u>
<u>U.S. Department of Housing and Urban Development (HUD)</u>			
<i>Passed Through the Los Angeles County Community Development Commission</i>			
ARRA-Community Development Block Grant Recovery	14.253 (3)		115,856
ARRA-Mayberry Park Computers Project	14.253 (3)	REC071-09	48,827
ARRA-Mayberry Park Wiring for Computers - Public Improvement Project	14.253 (3)	REC070-09	93,658
<i>Subtotal 14.253</i>			<u>258,341</u>
ARRA-Homelessness Prevention and Rapid Re-Housing Program (HPRP)	14.257		3,526,153
Total U.S. Department of Housing and Urban Development (HUD)			<u>3,784,494</u>
<u>U.S. Department of Justice</u>			
<i>Direct Program</i>			
ARRA-LA-RICS Projects (JAG)	16.804 (4)		636,954
<i>Passed Through the City of Los Angeles</i>			
ARRA-Internet Crimes Against Children (ICAC) Task Force Program	16.800		71,873
ARRA-City Clear (JAG) 77th Street	16.804 (4)		118,594
ARRA-Drug Court (JAG)	16.804 (4)		324,000
<i>Subtotal 16.804</i>			<u>442,594</u>
<i>Passed Through the Calif Emergency Management Agency</i>			
ARRA-Lancaster Domestic Violence Program	16.588	037-00000	114,908
ARRA-Victim Witness Assistance Program (VWAP) - Victims of Crime Act (VOCA)	16.801	037-00000	25,514

**COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note 1)	Federal Expenditures
ARRA-Evidence-Based Probation Supervision (EBPS) Program	16.804 (4)		\$ 6,107,999
ARRA-JAG California Multi-Jurisdictional Methamphetamine Enforcement Team (Cal-MMET)	16.804 (4)	037-00000	355,066
ARRA-Justice Assistance Grant (JAG) Substance Abuse offender Treatment (OTP)	16.804 (4)	037-00000	9,400,765
ARRA-Regional Anti-Gang Intelligence-LED Policing Grant 09	16.804 (4)	037-00000	146,242
<i>Subtotal 16.804</i>			<u>16,010,072</u>
<i>Passed Through the Calif Emergency Management Agency</i>			
<i>Passed Through the Superior Court of California-County of Los Angeles</i>			
ARRA-Women's Re-Entry Court Recovery Act Program	16.803 (4)	037-91224	152,304
Total U.S. Department of Justice			<u>17,454,219</u>
<u>U.S. Department of Labor</u>			
<i>Passed Through the Calif Employment Development Department</i>			
ARRA-Workforce Investment Act-15%	17.258 (5)	K074145	484,692
ARRA-Workforce Investment Act 15% (GC 153)	17.258 (5)	K074145	49,000
ARRA-Workforce Investment Act Adult (GC 102)	17.258 (5)	R970541	2,695,966
ARRA-Workforce Investment Act Adult 15% (GC 113)	17.258 (5)	K074145	44,382
ARRA-Workforce Investment Act- AB118 Clean Energy	17.258 (5)	K077114	380,506
ARRA-Workforce Investment Act- Clean Energy Workforce Training	17.258 (5)	K077115	635,964
<i>Subtotal 17.258</i>			<u>4,290,510</u>
ARRA-Workforce Investment Act Youth (GC 103 & 107)	17.259 (5)	R970541	2,485,606
ARRA-Workforce Investment Act Adult (GC104)	17.260 (5)	R970541	2,100,000
ARRA-Workforce Investment Act Dislocated Worker (GC105)	17.260 (5)	R970541	3,232,014
ARRA-Workforce Investment Act National Emergency Grant on the Job Training (GC 775)	17.260 (5)	K074145	681,956
ARRA-Workforce Investment Act Rapid Response (GC 106)	17.260 (5)	R970541	1,066,063
ARRA-Workforce Investment Act Rapid Response (GC 108)	17.260 (5)	K074145	2,259,012
<i>Subtotal 17.260</i>			<u>9,339,045</u>
Total U.S. Department of Labor			<u>16,115,161</u>
<u>U.S. Department of Transportation</u>			
<i>Direct Program</i>			
ARRA-2009 Airport Improvement Program	20.106		4,114,499
<i>Passed Through the Calif Department of Transportation</i>			
ARRA-Federal Aid Secondary Program	20.205 (6)		6,586,963
ARRA-Regional Surface Transportation Program	20.205 (6)		13,773,295
ARRA-Transportation Enhancement Program (TEP)	20.205 (6)		148,990
<i>Subtotal 20.205</i>			<u>20,509,248</u>
Total U.S. Department of Transportation			<u>24,623,747</u>
<u>U.S. Environmental Protection Agency</u>			
<i>Passed Through the Calif Department of Public Health</i>			
ARRA-Safe Drinking Water State Revolving Fund - (See Note 7)	66.468		872,782
Total U.S. Environmental Protection Agency			<u>872,782</u>

**COUNTY OF LOS ANGELES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA#)	Pass-Through Entity ID No. (Note 1)	Federal Expenditures
<u>U.S. National Endowment for the Arts</u>			
<i>Direct Program</i>			
ARRA-National Endowment of the Arts Sub-Grant Program	45.024		\$ 86,025
Total U.S. National Endowment for the Arts			<u>86,025</u>
Subtotal American Recovery and Reinvestment Act (ARRA)	Schedule of		<u>\$ 218,741,656</u>
Expenditures of Federal Awards			
Total Non-ARRA and ARRA Schedule of Expenditures of Federal Awards			<u><u>\$ 2,888,183,724</u></u>

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COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - GENERAL

The accompanying schedule of expenditures of federal awards represents all federal programs of the County of Los Angeles, California (the County). The County's basic financial statements include the operations of the Community Development Commission (CDC) and the Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA), which expended \$385,293,074 and \$507,869, respectively, in federal awards, which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2011. The CDC and First 5 LA engaged other auditors to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. All federal financial assistance received directly from federal/state agencies as well as federal financial assistance passed through other government agencies are included in the schedule.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented generally using the modified-accrual basis of accounting for program expenditures accounted for in the governmental funds and the accrual basis of accounting for program expenditures accounted for in the proprietary funds, as described in Note 1 of the notes to the County's basic financial statements. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. However, some amounts presented in this schedule are reported on a cash basis, as described in the succeeding paragraph.

Additionally, certain federal program expenditures in the schedule of expenditures of federal awards are converted to and reported on a cash basis due to the claiming requirements of the State pass-through agencies. These expenditures are presented on a cash basis in order to be consistent with the amounts previously claimed and reported to the State for reimbursement purposes. Listed below are the affected programs.

**COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

**Catalog of
Federal
Domestic
Assistance
Number
(CFDA#)**

Program Name

10.559	Summer Food Service Program for Children
10.561	Supplemental Nutrition Assistance Program (SNAP) - Administration (CalFresh)
10.561	ARRA-Supplemental Nutrition Assistance Program (SNAP) - Administration (CalFresh)
14.235	Homeless Foster Youth Program (HFYP)
14.257	ARRA-Homelessness Prevention and Rapid Re- Housing Program (HPRP)
16.541	Office of Juvenile Justice and Delinquency Prevention Act (Adam Schiff)
16.738	Justice Assistance Grant (JAG) Toberman Neighborhood Center 06
16.738	Justice Assistance Grant (JAG) Toberman Neighborhood Center 07
16.738	Retail Skills Vocational Program (JAG) 06
16.738	We-Tip (JAG) 07
84.007	Supplemental Educational Opportunity Grants
84.027	Individuals with Disabilities Education Act (IDEA)
84.063	Pell Grants
84.375	Academic Competitiveness Grants
84.389	ARRA-Steps to Excellence Project (STEP)
93.090	Kinship Guardianship Assistance Payment Program (KIN-GAP) Title IV-E
93.104	Child Mental Health Initiative Grant
93.150	McKinney Homeless Act Program
93.217	Family Planning
93.556	Promoting Safe and Stable Families Program (PSSF)
93.558	Calworks - FG/U Assistance
93.558	Calworks Diversion - Federal
93.558	Calworks Fraud Incentives
93.558	Calworks Legal Immigrants (MC)
93.558	Calworks Single
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement Title IV D
93.566	Refugee Employment Social Services

**COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

**Catalog of
Federal
Domestic
Assistance**

**Number
(CFDA#)**

Program Name

93.566	Refugee Resettlement
93.569	Community Services Block Grant
93.576	Older Refugee Discretionary Grant
93.584	Refugee Targeted Assistance Program
93.596	Child Day Care Program
93.603	Adoption Incentive Program (AIP) Title IV-E
93.645	Children's Welfare Services IV B (Direct Cost)
93.648	California Partnership for Permanency (CAPP)
93.652	Diligent Recruitment of Families for Children in the Foster Care System
93.658	Aid to Families with Dependent Children - FC - Administration and Assistance
93.658	ARRA-Aid to Families with Dependent Children-FC-Administration and Assistance FMAP
	Child Welfare Services Outcome Improvement Project (Cohort 1)
93.658	
93.658	Foster Care Title IV-E
93.658	Foster Family Licensing
93.658	Foster Parent Training
93.658	Group Home Month Visits / CWD
93.659	Adoptions - Administration and Assistance
93.659	ARRA-Adoptions-Administration and Assistance FMAP
93.667	Children's Welfare Services Title XX
93.674	Independent Living Skills - Children's Services
93.710	ARRA-Community Services Block Grant
93.714	ARRA-Temporary Assistance Needy Families (TANF) Emergency Contingency Fund (ECF)
93.778	Adult Protective Services/County Services Block Grant
93.778	ARRA-In Home Supportive Services-Personal Care Services Program Health Related-FMAP
93.778	ARRA-Targeted Case Management (TCM) FMAP
93.778	Children's Welfare Services XIX (Hlth Reel)
93.778	In Home Supportive Services - Personal Care Services Program Health Related - FMAP
93.778	Medi-Cal Administrative Activities (MAA)
93.778	Medi-Cal Eligibility Determination

**COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

**Catalog of
Federal
Domestic
Assistance
Number
(CFDA#)**

Program Name

93.914	HIV Emergency Relief Project Grant
93.958	Mental Health Services: Block Grant
93.959	Alcohol Block Grant

NOTE 3 - SUBRECIPIENT AWARDS

Of the federal expenditures presented in the schedule of expenditures of federal awards, the County provided a significant amount of funding to various subrecipients. Listed below is a summary of amounts provided to the subrecipients by County program title.

<u>Non-ARRA County Program Title</u>	<u>CFDA #</u>	<u>Amount Provided to Subrecipients</u>
Nutrition Program - Network for a Healthy California Supplemental Nutrition Assistance Program (SNAP)	10.561	\$ 700,455
- Administration (CalFresh)	10.561	61,232
<i>Subtotal SNAP Cluster (10.561)</i>		<u>761,687</u>
Adult Drug Court Discretionary Grant Program	16.585	76,415
Women's Re-Entry	16.585	66,346
<i>Subtotal 16.585</i>		<u>142,761</u>
Residential Substance Abuse Treatment	16.593	117,230
Justice and Mental Health Collaboration Program 09	16.745	46,135
Second Chance Act Adult and Juvenile Offender Reentry Demonstration Projects Grant	16.812	118,183
Workforce Investment Act 15% Adult	17.258	315,000
Workforce Investment Act 15% RDI New Start	17.258	435,975
Workforce Investment Act Adult	17.258	11,198,293
Workforce Investment Act Youth	17.259	10,908,166
Workforce Investment Act Dislocated Worker	17.260	5,497,235
Workforce Investment Act Dislocated Worker	17.278	8,264,315
Workforce Investment Act Rapid Response	17.278	572,817
<i>Subtotal WIA Cluster (17.258, 17.259, 17.260, and 17.278)</i>		<u>37,191,801</u>

**COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Non-ARRA County Program Title</u>	<u>CFDA #</u>	<u>Amount Provided to Subrecipients</u>
Individuals with Disabilities Education Act (IDEA)	84.027	8,108,264
Drug Free Schools and Communities (DFSC) - Friday Night Live	84.186	75,000
Drug Free Schools and Communities - Club Live	84.186	75,000
<i>Subtotal 84.186</i>		150,000
Title VII: Elder Abuse Prevention	93.041	91,945
Title VII: Ombudsman	93.042	147,168
Area Agency on Aging III D	93.043	410,135
Area Agency on Aging III B	93.044	3,866,463
Area Agency on Aging III C-I	93.045	6,050,087
Area Agency on Aging III C-II	93.045	4,513,504
Area Agency on Aging III USDA CI	93.053	831,600
Area Agency on Aging III USDA CII	93.053	756,539
<i>Subtotal Aging Cluster (93.044, 93.045, and 93.053)</i>		16,018,193
Area Agency on Aging Title III E	93.052	1,919,565
Public Health Emergency Response Phase III	93.069	420,684
Public Health Preparedness and Response for Bioterrorism	93.069	1,539,826
<i>Subtotal 93.069</i>		1,960,510
Area Agency on Aging – Medicare Improvement Patient Provider Act (MIPPA)	93.071	61,327
Emergency System for the Advance Registration of Volunteer Health Professionals	93.089	91,064
Child Mental Health Initiative Grant	93.104	1,111,401
Tuberculosis/Centers for Disease Control Cooperative Agreement	93.116	29,281
McKinney Homeless Act Program	93.150	1,218,775
Childhood Lead Poisoning Case Management	93.197	10,942

**COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Non-ARRA County Program Title</u>	<u>CFDA #</u>	<u>Amount Provided to Subrecipients</u>
Co-Occurring Disorders Court Program Enhancement	93.243	\$ 377,196
Project ABC Family Wellness Network	93.243	261,553
Screening and Brief Intervention and Referral to Treatment (SBIRT)	93.243	642,875
<i>Subtotal 93.243</i>		<u>1,281,624</u>
Effectiveness of Peer Navigation to Link Released HIV / Jail Inmates to HIV Care	93.279	17,797
Area Agency on Aging - 2nd Medicare Improvements for Patients Providers Act (2 MIPPA)	93.518	42,949
Patient Protection and Affordable Care Act (PPACA)	93.521	134,668
Promoting Safe and Stable Families Program (PSSF)	93.556	8,785,385
Calworks Single	93.558	141,291,367
Refugee Employment Social Services	93.566	2,132,120
Community Services Block Grant 10F-4022	93.569	3,042,409
Community Services Block Grant 11F-4222	93.569	1,948,752
Community Services Block Grant American Indian 10F-4060	93.569	161,974
Community Services Block Grant American Indian 11F-4260	93.569	120,790
<i>Subtotal CSBG Cluster (93.569)</i>		<u>5,273,925</u>
Refugee Targeted Assistance Program	93.584	1,661,689
Aid to Families with Dependent Children - FC - Administration and Assistance	93.658	12,422,776
Independent Living Skills - Children's Services	93.674	4,577,877
Adult Protective Services/County Services Block Grant	93.778	116,193
Medi-Cal Administrative Activities (MAA)	93.778	815,041
<i>Subtotal Medicaid Cluster (93.778)</i>		<u>931,234</u>
Area Agency on Aging - 2nd Health Insurance Counseling Advocacy Program (HICAP)	93.779	61,804

**COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Non-ARRA County Program Title</u>	<u>CFDA #</u>	<u>Amount Provided to Subrecipients</u>
Area Agency on Aging - Health Insurance Counseling and Advocacy Program (HICAP)	93.779	224,939
Area Agency on Aging - Health Insurance Counseling and Advocacy Program (HICAP) – Medicare Improvement Patient Provider Act (MIPPA)	93.779	19,367
<i>Subtotal 93.779</i>		<u>306,110</u>
Bioterrorism Hospital Preparedness Program	93.889	\$ 9,113,995
HIV Emergency Relief Project Grant	93.914	20,524,825
Minority AIDS Initiative (MAI)	93.914	2,128,447
<i>Subtotal 93.914</i>		<u>22,653,272</u>
HIV Care Program	93.917	7,522,108
Expanded and Integrated HIV Testing for Populations	93.940	184,568
HIV Prevention Program	93.940	887,291
HIV Prevention Project	93.940	5,033,982
National HIV Behavioral Surveillance	93.940	104,449
<i>Subtotal 93.940</i>		<u>6,210,290</u>
Enhanced HIV/AIDS Surveillance for Perinatal Prevention	93.941	51,834
PS09-007 Evaluating Locally-Developed Homegrown HIV Prevention Interventions	93.941	87,555
<i>Subtotal 93.941</i>		<u>139,389</u>
HIV AIDS Surveillance and Seroprevalence	93.944	102,973
Mental Health Services: Block Grant	93.958	1,960,286
Alcohol Block Grant	93.959	30,877,934
Federal Female Offender	93.959	382,551
New Prenatal Set – Aside	93.959	3,334,033
Substance Abuse Block Grant New HIV Set – Aside	93.959	4,466,819
Substance Abuse Prevention and Treatment Block Grant Adolescent Treatment	93.959	1,437,937

**COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Non-ARRA County Program Title</u>	<u>CFDA #</u>	<u>Amount Provided to Subrecipients</u>
Substance Abuse Prevention and Treatment Set – Aside	93.959	12,702,725
<i>Subtotal 93.959</i>		<u>53,201,999</u>
Comprehensive STD Preventions Systems	93.977	562,638
Maternal and Child Health	93.994	562,309
State Homeland Security Program 07	97.067	4,983,463
State Homeland Security Program 08	97.067	2,517,741
<i>Subtotal Homeland Security Cluster (97.067)</i>		<u>7,501,204</u>
Buffer Zone Protection Program 07	97.078	\$ 1,322,070
Chemical Buffer Zone Protection Program 06	97.078	1,158,581
<i>Subtotal 97.078</i>		<u>2,480,651</u>
Subtotal Amount Provided to Non-ARRA Subrecipients		<u>\$ 360,577,002</u>
<u>ARRA County Program Title</u>	<u>CFDA #</u>	<u>Amount Provided to Subrecipients</u>
ARRA-Homelessness Prevention and Rapid Re- Housing Program (HPRP)	14.257	\$ 111,450
ARRA-Drug court (JAG)	16.804	324,000
ARRA-Justice Assistance Grant (JAG) Substance Abuse Offender Treatment (OTP)	16.804	8,173,814
<i>Subtotal JAG Program Cluster (16.804)</i>		<u>8,497,814</u>
ARRA-Workforce Investment Act Adult (GC 102)	17.258	1,811,424
ARRA-Workforce Investment Act – 15%	17.258	400,249
ARRA-Workforce Investment Act – AB118 Clean Energy	17.258	341,532
ARRA-Workforce Investment Act – Clean Energy Workforce Training	17.258	538,492
ARRA-Workforce Investment Act Youth (GC 103 & 107)	17.259	1,801,935
ARRA-Workforce Investment Act Adult (GC 104)	17.260	2,100,000

**COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>ARRA County Program Title</u>	<u>CFDA #</u>	<u>Amount Provided to Subrecipients</u>
ARRA-Workforce Investment Act Dislocated Worker (GC 105)	17.260	2,189,138
ARRA-Workforce Investment Act National Emergency Grant on the Job Training (GC 775)	17.260	636,462
ARRA-Workforce Investment Act Rapid Response (GC 106)	17.260	876,745
ARRA-Workforce Investment Act Rapid Response (GC 108)	17.260	1,631,482
<i>Subtotal WIA Cluster (17.258, 17.259, and 17.260)</i>		<u>12,327,459</u>
ARRA-Community Services Block Grant 09F-5122	93.710	7,344,848
ARRA-Community Services Block Grant American Indian	93.710	283,189
<i>Subtotal CSBG Cluster (93.710)</i>		<u>7,628,037</u>
ARRA-Pneumococcal Conjugate Vaccine (PCV-13)	93.712	27,317
ARRA-Varicella Active Surveillance Project	93.712	110,276
<i>Subtotal Immunization Cluster (93.712)</i>		<u>137,593</u>
ARRA-Temporary Assistance Needy Families (TANF) Emergency Contingency Fund (ECF)	93.714	\$ 71,264,822
ARRA-Temporary Assistance Needy Families (TANF) Emergency Contingency Fund (ECF) - Summer Youth Employment	93.714	11,320,490
<i>Subtotal TANF Cluster (93.714)</i>		<u>82,585,312</u>
ARRA-Category A: Communities Putting Prevention to Work	93.724	3,404,872
ARRA-Category B: Tobacco Prevention and Control	93.724	2,656,097
<i>Subtotal 93.724</i>		<u>6,060,969</u>
Subtotal Amount Provided to ARRA Subrecipients		<u>\$ 117,348,634</u>
Total Amount Provided to Non-ARRA and ARRA Subrecipients		<u>\$ 477,925,636</u>

**COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 4 – GRANT PROGRAMS REIMBURSED IN ARREARS

The County of Los Angeles participates in several federal programs where payments are received in arrears because eligibility, as determined by the federal agency, is determined in arrears. The County reports actual revenues for these programs in the year that the funds are received since the County's eligible expenditures are not determinable until reimbursement is received.

STATE CRIMINAL ALIEN ASSISTANCE PROGRAM (SCAAP), CFDA #16.606

<u>FY Exp. Incurred</u>	<u>FY Exp. Reimbursed</u>	<u>Amount</u>
08-09	10-11	\$14,292,913

SOUTHWEST BORDER PROSECUTION INITIATIVE (SWBPI), CFDA #16.755

<u>FY Exp. Incurred</u>	<u>FY Exp. Reimbursed</u>	<u>Amount</u>
08-09	10-11	\$ 4,651,370

NOTE 5 – COMMUNITY SERVICE BLOCK GRANTS, CFDA #93.569

At the request of the California Health and Human Services Agency, Department of Community Services and Development, Community Services Block Grant supplemental schedules of revenue and expenditures are included on pages 201-205.

NOTE 6 – MEDICAID CLUSTER

Direct Medi-Cal and Medicare expenditures are excluded from the schedule of expenditures of federal awards. These expenditures represent fees for services and are not included in the schedule of expenditures of federal awards or in determining major programs. The County assists the State in determining eligibility and provides Medi-Cal and Medicare services through County-owned facilities. Administrative costs related to Medi-Cal and Medicare are, however, included in the schedule of expenditures of federal awards under the Medicaid Cluster.

NOTE 7 – GRANTS NOT PREVIOUSLY REPORTED

The County received grants in prior years that, until this year, were not reported in the County's schedule of expenditures of federal awards. Some of them had program specific audits completed by an independent accounting firm. A review of the program specific audits determined that the audits were not sufficient to comply with OMB A-133 audit requirements. Below is the list of the grants and the fiscal years not previously reported. Fiscal year 2011 expenditures for programs listed

**COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

below have been included in the current year schedule of expenditures of federal awards.

U.S. DEPARTMENT OF AGRICULTURE

EMERGENCY WATERSHED PROTECTION PROGRAM, CFDA #10.923

<u>Fiscal Year</u>	<u>Amount</u>	<u>Grant Number</u>
08-09	\$ 832,962	69-9104-0-325

NUTRITION PROGRAM – NETWORK FOR A HEALTHY CALIFORNIA, CFDA #10.561

<u>Fiscal Year</u>	<u>Amount</u>	<u>Grant Number</u>
09-10	\$1,597,041	08-85178
08-09	1,252,331	08-85178
07-08	737,337	08-85178

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

CHILD CARE SALARY RETENTION INCENTIVE PROGRAM, CFDA #93.575

<u>Fiscal Year</u>	<u>Amount</u>	<u>Grant Number</u>
09-10	\$4,250,000	CRET-9018

CENTRALIZED ELIGIBILITY LIST, CFDA #93.575

<u>Fiscal Year</u>	<u>Amount</u>	<u>Grant Number</u>
05-06	\$ 500,000	CCEL-5019
06-07	500,000	CCEL-6019
07-08	500,000	CCEL-7019

LOCAL CHILD CARE PLANNING AND DEVELOPMENT COUNCIL (LCCPDC), CFDA #93.575

<u>Fiscal Year</u>	<u>Amount</u>	<u>Grant Number</u>
01-02	\$ 301,618	FLPC-1018
02-03	313,190	FLPC-2018
03-04	319,356	FLPC-3018
04-05	319,356	FLPC-3018
05-06	340,875	CLPC-5018
06-07	340,875	CLPC-6018
07-08	377,411	CLPC-7018
08-09	377,411	CLPC-8019
09-10	377,411	CLPC-9019

**COUNTY OF LOS ANGELES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

U.S. DEPARTMENT OF HOMELAND SECURITY

HAZARD MITIGATION GRANT, CFDA #97.039

<u>Fiscal Year</u>	<u>Amount</u>	<u>Grant Number</u>
08-09	\$ 367,170	FEMA-1008-DR-CA
09-10	9,940,540	FEMA-1008-DR-CA

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)

ECONOMIC DEVELOPMENT INITIATIVE (EDI) (SOUTH HEALTH CENTER REPLACEMENT PROJECT), CFDA #14.246

<u>Fiscal Year</u>	<u>Amount</u>	<u>Grant Number</u>
09-10	\$ 278,093	E95-EZ-06-0002

SECTION 108 LOAN GUARANTEES (SOUTH HEALTH CENTER REPLACEMENT PROJECT), CFDA #14.248

<u>Fiscal Year</u>	<u>Amount</u>	<u>Grant Number</u>
09-10	\$ 278,093	B94-UC-06-0505

U.S. ENVIRONMENTAL PROTECTION AGENCY

ARRA-SAFE DRINKING WATER STATE REVOLVING FUND, CFDA #66.468

<u>Fiscal Year</u>	<u>Amount</u>	<u>Grant Number</u>
09-10	\$ 277,713	SRF10CX107
08-09	319,398	SRF10CX108

NOTE 8– CHANGES IN PROGRAM TITLE, CFDA# 97.067

The CFDA title for the Urban Area Security Initiative (UASI) has changed to the State Homeland Security Grant Program (CFDA 97.067).

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Board of Supervisors
County of Los Angeles, California

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California (County), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 15, 2011. Our report was modified to include a reference to other auditors and an explanatory paragraph describing the implementation of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 59, *Financial Instruments Omnibus*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Community Development Commission (CDC), Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA), and the Los Angeles County Employees Retirement Association (LACERA), as described in our report on the County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant

deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 11-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 11-02 and 11-03 to be a significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 11-03.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the audit committee, the Board of Supervisors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Jini & O'Connell LLP

Los Angeles, California
December 15, 2011

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Board of Supervisors
County of Los Angeles, California

Compliance

We have audited the County of Los Angeles', California (County), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2011. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Community Development Commission (CDC) and the Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA), which expended \$385,293,074 and \$507,869, respectively, in federal awards, which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2011. Our audit, described below, did not include the operations of CDC and First 5 LA because CDC and First 5 LA engaged other auditors to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

As described in items 11-04 and 11-05 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding activities allowed or unallowed (item 11-04) and eligibility (item 11-05) that are applicable to the Foster Care - Title IV-E (CFDA No. 93.658) and Special Education Cluster (IDEA) (CFDA No. 84.027). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 11-06, 11-07 and 11-08.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a

reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items, 11-04 and 11-05, to be a material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 11-06 and 11-08 to be significant deficiencies.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the audit committee, the Board of Supervisors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Macias Jini & O'Connell LLP". The signature is written in a cursive, flowing style.

Los Angeles, California
March 29, 2012

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**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section I - Summary of Auditor's Results

(a) Financial Statements

The type of auditor's report issued: **Unqualified Opinion**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified that are not considered to be material weaknesses? **Yes**

Noncompliance material to the financial statements noted? **Yes**

(b) Federal Awards

Internal control over major programs:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified that are not considered to be material weaknesses? **Yes**

Type of auditor's report issued on compliance for major programs:

Unqualified for all major programs except for the following, which were qualified:

- Foster Care Title IV-E (CFDA No. 93.658) – Qualified
- Special Education Cluster (IDEA) (CFDA No. 84.027) – Qualified

Any audit findings which are required to be reported in accordance with Section 510(a) of Circular A-133: **Yes**

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.803/16.804/16.738	Justice Assistance Grant (JAG) Program Cluster
17.258/17.259/17.260/ 17.278	Workforce Investment Act (WIA) Cluster
20.205	Highway Planning and Construction Cluster
84.027	Special Education Cluster (IDEA)
93.069	Public Health Emergency Preparedness
93.556	Promoting Safe and Stable Families
93.558/93.714	Temporary Assistance for Needy Families (TANF) Cluster
93.569/93.710	Community Services Block Grants (CSBG) Cluster
93.658 93.659 93.667 93.674	Foster Care Title IV-E Adoption Assistance Social Services Block Grant Chafee Foster Care Independence Program
93.724	ARRA - Prevention and Wellness Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.914	HIV Emergency Relief Project Grant
93.958	Block Grants for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse
97.067	Homeland Security Cluster

Dollar threshold used to distinguish between Type A and Type B programs:
\$8,664,551

Auditee qualified as a low-risk auditee? **No**

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section II – Financial Statement Findings

Reference Number:	11- 01
Name of Department:	Internal Services Department (ISD)
Category of Finding:	Information Technology Controls

Criteria

The County should establish and maintain an effective system of internal control over financial reporting. The objective of this portion of the review of internal controls over information technology was to ascertain those controls used to protect the electronic information from hazards and/or unauthorized persons.

Finding

The County's Internal Services Department (ISD) could do more to have a more complete set of policies and procedures for monitoring and reviewing eCAPS database and operating system super user activity. General computer controls over the access to programs and data require that network and application security controls be implemented to assure administrative, master and super user activities are proper and authorized and safeguard information technology resources and data. Master and super users have application or database access beyond that of a normal user. Typically they have privileged access to configure systems, update data, and conduct transactions at a broader level of authority than general users. The activities that can be performed by these individuals are typically outside the normal application workflow. During our review, we found that while the ISD has a UNIX history log (via Symark PowerBroker) and an Oracle root history log, these logs are only reviewed on an exception basis, increasing the risk that unauthorized activity may take place and not be identified. ISD managers reported, however, that there are plans to implement Oracle Audit Vault for database privileged user auditing. Go-live is scheduled for March/April 2012. This will ease the setup and review of Oracle privileged user activity.

Recommendation

We recommend that the County's Internal Services Department (ISD) develop policies and implement procedures requiring periodic (e.g., monthly) reviews of privileged user activities at the UNIX and database levels. These reviews should be performed by someone either above (e.g., supervisor, director) or outside the reporting structure (e.g., County Information Security Officer) of these users with high level access and should be pursuant to guidelines and criteria that would aid in identifying the nature of this activity.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Management Response and Corrective Action

ISD agrees with the recommendation. A senior-level technical staff from the ISD/Midrange Computing Division – Enterprise Infrastructure Section, who is outside the reporting structure of these users, will be responsible to perform the review of the history logs of eCAPS privileged user activities at the UNIX and database levels. Starting March 2012, ISD/Midrange Computing Division will begin work on automating these reviews. Until the automated system is in place, a monthly manual review of the history logs will be conducted.

Target Dates:

- Monthly Manual Reviews: April 1, 2012
- Quarterly Automated Reviews: October 1, 2012

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Reference Number: 11- 02
Name of Department: Department of Children and Family
Services (DCFS), Chief Information Office (CIO)
Category of Finding: Information Technology Controls

Criteria

The County should establish and maintain an effective system of internal control over financial reporting. The objective of this portion of the review over internal control over information technology was to ascertain those controls used to protect the electronic information from hazards and/or unauthorized persons.

Finding

APPS application password standards need to be strengthened. General computer controls require that access to the IT network and applications be properly controlled. At the time of our review, the County's password access policy for system and applications only required five character passwords. On February 23, 2012, ISD provided a draft policy, which requires eight character passwords. The Department of Children and Family Services (DCFS) requires passwords of any six characters for accessing the APPS system. Without strong password requirements, password configuration standards may change based on administrator preference, rather than adherence to standard industry practices. Additionally, if strong passwords are not used, the chance of someone hacking into a financial system increases considerably.

Recommendation

The Chief Information Office (CIO), working with the County departments, should finalize its draft Baseline Server Security Standards (version 2.0) policy. In addition, the DCFS Information Security Officer, working with the CIO, should implement a strong password requirement for the APPS system. For example, we provide sample characteristics to be included in the formal requirement below.

Password Setting	Policy	Current (APPS)	Settings	Recommended Value Range
Enforce password history		0		12 to 24 passwords remembered
Maximum password age		90 days		30 to 90 days
Minimum password length		6 characters		8 to 14 characters
Password must meet complexity requirements		Disabled		Enabled
Password complexity		None		Minimum of 8 characters Contains at least two numeric or special characters

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Management Response and Corrective Action

The CIO agrees with the recommendation. Although, the County of Los Angeles Baseline Server Security Standards Version 2.0 has not been finalized, in most instances, it is the practice for departments to adhere to the documented unapproved standard. However, this standard will be approved to address implementation of a strong password and associated characteristics for APPS. The County's Information Security Steering Committee (ISSC) will obtain approval of this standard on or before May 7, 2012.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Reference Number:	11- 03
Federal Program Titles:	Child Care Salary Retention Incentive Program; Local Childcare Planning and Development Council; Centralized Eligibility List Contracts
Federal Catalog Number:	93.575
Federal Agency:	U.S. Department of Health and Human Services (HHS)
Federal Award Number and Year:	Various – 2001 to 2010
Name of Department:	Chief Executive Office (CEO)
Category of Finding:	Financial Reporting – Schedule of Expenditures of Federal Awards (SEFA)

Federal Program Title:	Economic Development Initiative
Federal Catalog Number:	14.246
Federal Agency:	U.S. Department of Housing and Urban Development (HUD)
Federal Award Number and Year:	E95-EZ-06-0002, 2010
Name of Department:	Chief Executive Office (CEO)
Category of Finding:	Financial Reporting - SEFA

Federal Program Title:	Section 108 Loan Guarantees
Federal Catalog Number:	14.248
Federal Agency:	U.S. Department of Housing and Urban Development (HUD)
Federal Award Number and Year:	E95-EZ-06-0002, 2010
Name of Department:	Chief Executive Office (CEO)
Category of Finding:	Financial Reporting - SEFA

Criteria

U.S. Office of Management and Budget Circular A-133 Section 300 states that the auditee shall identify all federal awards received and expended, prepare the Schedule of Expenditures of Federal Awards (SEFA) and ensure that audits are performed and submitted when due.

As directed by the Auditor-Controller (AC), each County department is responsible to review their grant agreements to determine if a grant is a federal award as defined under OMB Circular A-133 and to report the information to the AC by the deadlines.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Condition

Several grants/loans were reported untimely to the AC by the Chief Executive Office (CEO). These include:

- Child Care Salary Retention Incentive Program
- Local Child Care Planning and Development Council
- Centralized Eligibility List Contracts
- Economic Development Initiative
- Section 108 Loan Guarantees

In addition, some of these grants had been received by the CEO for many years prior to the current year's Single Audit and were not reported in prior year Single Audits. There could be other unreported grants under CEO management that have also not yet been reported.

Cause

The CEO does not have a central grant administrator. Each division within the CEO can apply for and receive grant funds autonomously. In addition, the department does not maintain a centralized list of all federal grants held. The program staff are generally not familiar with the financial aspects of tracking and reporting their grant expenditures.

Effect

Failure to timely report federal awards on the SEFA could result in programs not being audited in accordance with OMB A-133 and also result in not submitting the Single Audit to the Federal Audit Clearinghouse timely in accordance with OMB A-133. Federal agencies could withhold grant funding from the County.

Context

In FY 2010-11, Auditor-Controller issued a memo to all County departments requesting for a review of their grants to see if federal funds were involved and to report them for the Single Audit. During this review, it was noted that five (5) federal grants managed by the CEO were not listed on the County's SEFA in previous years.

Recommendation

We recommend the CEO designate a central grant administrator for all federal grants received, develop a comprehensive list of the federal grants received by the department and report the information to the AC by the deadlines. This will ensure that all federal grants are reported timely for inclusion in the County's Single Audit in compliance with OMB A-133.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Management Response and Corrective Action:

The CEO agrees with the findings and intends to take the below immediate and long-term corrective actions to address the audit recommendation:

- Immediate Action: Assign one staff person the responsibility of centrally tracking and reporting federal grant funds received throughout the department. This person will also be responsible for responding to inquiries regarding the status of any ongoing grant activity currently being managed by the various divisions within this office.
- Long-term Action: Survey CEO Divisions that apply for and receive grant funds. Verify responses and assemble a centralized list of grant funds received. This comprehensive listing will be maintained and updated on an ongoing basis.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section III – Federal Award Findings and Questioned Costs

Reference Number:	11- 04
Federal Program Title:	Foster Care – Title IV-E
Federal Catalog Number:	93.658
Federal Agency:	U.S. Department of Health and Human Services (HHS)
Pass-Through Entity:	California Department of Social Services (CDSS)
Federal Award Number and Year:	CFL 10/11-47 - 2011
Name of Department:	Probation Department
Category of Finding:	Activities Allowed or Unallowed – Lack of Supporting Documents and Controls over Payroll Transactions

Criteria

U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* (OMB Circular A-87), Attachment A – General Principles for Determining Allowable Costs, Paragraph C – Basic Guidelines states:

- 1) Factors affecting allowability of costs. To be allowable under federal awards, costs must meet the following general criteria:
 - (b) Be allocable to federal awards under the provisions of this Circular.
 - (j) Be adequately documented.

U.S. Office of Management and Budget Circular A-133, Subpart C - §____.300 Auditee responsibilities states:

- (b) Maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Condition

The Probation Department is required to use Foster Care Title IV-E funds for expenditures that are allowable under the program. Our review of payroll timesheets and time studies resulted in the discovery of three (3) employee timesheets not matching the time reported on the respective time study. We also noted that non-working hours for two (2) employees' were incorrectly reported as allocable on the respective time study.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Cause

The Probation Department's lack of consistent enforcement of policies and procedures that require detailed supervisory review of time study and timesheets for accuracy.

Effect

The possible submission of unallowable costs and activities may cause noncompliance with federal award program requirements.

Questioned Costs

\$3,809 (Calculated based on the amount paid/discrepancies noted during the review of the transactions).

Context

During our review of forty (40) payroll transactions selected for testing, the following compliance issues were noted:

- a. Three (8%) employees' hours on the time study did not agree with the hours reported on the timesheet.
- b. Two (5%) employees' timesheets indicated vacation hours, which were erroneously recorded as allocable on the time study and charged to the grant.

The above payroll transactions are not related to ARRA funds.

Recommendation

We recommend the Probation Department consistently enforce policies and procedures requiring detailed supervisory reviews of timesheets and time studies concurrently for accuracy.

Management Response and Corrective Action

The Probation Department agrees with the finding. In addition to disseminating a clarifying memo and instructions to address the issues identified, all juvenile staff that complete a time study for the Title IV-E program will be trained annually, with related booster trainings as needed during the time study month of the applicable quarter, to accurately complete the Title IV-E time study. The training will include a description of the Title IV-E program codes and annotating work hours to reflect actual hours worked that are matched to their time cards. In order to ensure enforcement of policies and procedures, mandatory management review has been implemented. Fiscal Services will also sample 100% of time studies submitted each quarter from applicable juvenile bureaus and provide respective managers with discrepancies that will be addressed with staff and included in future trainings.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Reference Number:	11- 05
Federal Program Title:	Special Education Cluster (IDEA)
Federal Catalog Number:	84.027
Federal Agency:	U.S. Department of Education
Pass-Through Entities:	California Department of Education (CDE) Los Angeles County Office of Education
Federal Award Number and Year:	N/A – 2011
Name of Department:	Department of Mental Health (DMH)
Category of Finding:	Eligibility – Lack of Timely Assessment, Quarterly Face to Face Contact, and Supporting Documents

Criteria

- a. According to State of California AB 1662, Chapter 653, Statute 205 dated October 7, 2005, "The mental health assessment shall be completed in sufficient time to ensure that an Individualized Education Program (IEP) meeting is held within sixty (60) days from the receipt of the written parental consent for the assessment. This time line may only be extended upon the written request of the parent";
- b. Per California Code of Regulations Title 2. Division 9. Chapter 1. Article 3. 60110 (c)(8): "Case management shall conduct quarterly face-to-face contacts at the residential facility with a pupil with a disability who is seriously emotionally disturbed to monitor the level of care and supervision and the provision of the mental services as required by the IEP." In addition, per conversations with Department of Mental Health (DMH), the quarterly face-to-face contacts are utilized as the tool to programmatically monitor out of state providers.

Per State of California AB 1662, Chapter 653, Statute 205 dated October 7, 2005, "Once a child has been referred for an initial assessment to determine whether the child is an individual with exceptional needs as defined in Section 56026 and to determine the educational needs of the child, these determinations shall be made, and an individualized education program meeting shall occur, within 60 days of receiving parental consent for the assessment in accordance with subparagraph (C) of paragraph (1) of subsection (a) of Section 1414 of Title 20 of the United States Code."

Condition

The Department of Mental Health (DMH) is required to conduct a mental health assessment within 60 days of receiving a written parental consent form and must conduct quarterly face-to-face meetings with pupils placed in residential treatment facilities. Thirteen (13) case files tested failed to meet the criteria of conducting a mental health assessment within 60 days from the receipt of the parental consent form. Fifteen (15) case files failed to meet the quarterly face-to-face meeting requirement. Two (2) case files were missing the mental health assessment and/or parent consent form.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Cause

- a. Lack of enforcement of policies and procedures over conducting timely assessments of cases referred to DMH;
- b. Lack of enforcement of policies and procedures over conducting quarterly face-to-face contacts for those cases where the pupils were admitted to residential treatment facilities;
- c. Lack of enforcement of policies and procedures over maintaining and retrieving case file records.

Effect

Failure to conduct timely assessments, quarterly face-to-face contacts for cases placed at a residential facility, and maintenance of mandatory forms in case files may result in noncompliance with OMB A-133 grant guidelines, California Code of Regulations Title 2, Division 9, and AB 1662, Chapter 653.

Questioned Costs:

N/A

Context

During our review of sixty (60) case files, the following issues were noted:

- a. Thirteen (22%) case files were not assessed for mental health services by DMH within sixty days from the receipt of the written parental consent for the assessment. Furthermore, there was no evidence in the case files demonstrating that the parent(s) requested extensions for the assessment;
- b. Fifteen (25%) case files did not contain evidence that face-to-face contact was performed quarterly by DMH case managers;
- c. For two (3%) case files, no supporting documents, such as the mental health assessment reports and parent consent forms, were provided.

Recommendation

We recommend DMH consistently enforce policies and procedures requiring detailed supervisory reviews of timeframe requirements for conducting mental health assessments and quarterly face-to-face meetings with pupils placed in out-of-state residential facilities. Furthermore, we recommend DMH maintain proper supporting

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

documentation in case files.

Management Response and Corrective Action

DMH agrees with the recommendation. However, no corrective action is necessary. On June 30, 2011, the California Legislature approved, and the Governor signed into law, AB 114, which rendered the Chapter 26.5 California Government Code program “inoperative” for FY 2011-2012, and repealed the statute and regulations, effective January 1, 2012. County Mental Health agencies have no current statutory or regulatory requirement to provide assessments, mental health treatment services, or residential placement/ case management services to disabled students in California. Any fiscal or legal responsibility for the provision of such services rests solely with local education agencies, in accordance with IDEA and CA Education Code. Should the County receive IDEA funds from the local school districts we will report these funds as a subreceptient per federal guidelines.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Reference Number:	11- 06
Federal Program Title:	Social Services Block Grant
Catalog Number:	93.667
Federal Agency:	U.S. Department of Health and Human Services (HHS)
Pass-Through Entity:	California Department of Social Services (CDSS)
Federal Award Number and Year:	N/A – 2011
Name of Department:	Department of Children and Family Services (DCFS)
Category of Finding:	Activities Allowed or Unallowed – Lack of Supporting Documents and Controls over Payroll Transactions

Criteria

U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* (OMB Circular A-87), Attachment A, – General Principles for Determining Allowable Costs, Paragraph C – Basic Guidelines states:

- 1) Factors affecting allowability of costs. To be allowable under federal awards, costs must meet the following general criteria:
 - (b) Be allocable to federal awards under the provisions of this Circular.
 - (j) Be adequately documented.

U.S. Office of Management and Budget Circular A-133, Subpart C - §____.300 Auditee responsibilities states:

- (b) Maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Condition

The Department of Children and Family Services (DCFS) is required to use the Social Services Block Grant funds for expenditures that are allowable under the program. During our review of sixty (60) payroll transactions, we noted that non-working hours for five (5) employees' were incorrectly coded as allocable on the respective time study.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Cause

Lack of consistent enforcement of policies and procedures that require detailed supervisory review of time studies and timesheets concurrently for accuracy.

Effect

The possible submission of unallowable costs and activities may cause noncompliance with federal award program requirements.

Questioned Costs

(a) Timestudy Transactions - \$2,591 (Calculated based on the amount paid/discrepancies noted during the review of the transactions).

Context

During our review of sixty (60) payroll transactions, five (8%) employees' non-working hours were incorrectly coded as allocable on the time study.

The above payroll transactions are not related to ARRA funds.

Recommendation

We recommend DCFS enforce policies and procedures to ensure management reviews and approves timesheets and time studies concurrently for reasonableness and accuracy.

Management Response and Corrective Action

DCFS agrees with the recommendation. The Time Study Unit staff continues to emphasize to workers and supervisors the importance of affixing electronic signatures to their time studies. In addition, Time Study Unit staff conducts random pre-audits of approximately 6% of all time studies, and returns all erroneous time studies to appropriate workers and supervisors for correction. The Unit also contacted the Business Information System staff to enhance or completely re-program the Time Study System to make it less error prone. It is in the early stages of development and Unit staff is closely monitoring progress.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Reference Number:	11- 07
Federal Program Title:	Block Grants for Community Mental Health Services
Federal Catalog Number:	93.958
Federal Agency:	U.S. Department of Health and Human Services (HHS)
Pass-Through Entity:	California Department of Mental Health
Federal Award Number and Year:	N/A – 2010
Name of Department:	Department of Mental Health (DMH)
Category of Finding:	Activities Allowed or Unallowed – Lack of Supporting Documents

Criteria

U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* (OMB Circular A-87), Attachment A – General Principles for Determining Allowable Costs, Paragraph C – Basic Guidelines states:

- 2) Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
 - (b) Be allocable to Federal awards under the provisions of this Circular.
 - (j) Be adequately documented.

U.S. Office of Management and Budget Circular A-133, Subpart C - §____.300 Auditee responsibilities states:

- (b) Maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Condition

The Department of Mental Health (DMH) is required to use the Community Mental Health Services Block Grant funds for expenditures that are allowable under the program. Our review of patient progress reports detailing units of service resulted in the discovery of one patient file missing all supporting documents, such as the progress notes detailing the types of service(s) and units of service provided.

Cause

Lack of consistent enforcement of policies and procedures requiring a detailed review of patient progress reports for accuracy.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Effect

Failure to properly document the units of service for patients may result in submission of unallowable costs and activities causing noncompliance with OMB A-87 Attachment A, paragraph C 1.

Questioned Costs

The known questioned costs identified are \$379.

Context

During our review of forty (40) units of service selected for testing, one patient file (3%) did not have any supporting documents, such as the progress notes detailing the units of service.

The missing supporting documents were not related to ARRA funds.

Recommendation

We recommend DMH consistently enforce policies and procedures requiring detailed supervisory reviews of progress notes for ensuring the accuracy of units of service and total costs based upon those units.

Management Response and Corrective Action

DMH agrees with the recommendation. On September 5, 2011, San Pedro MHC instituted a clinic-wide protocol in which line staff submit their Unit of Service (UOS)/Daily Log (DL) with the progress notes (for that service date) to their clinical supervisor. Once submitted, the supervisor carefully reviews each note, comparing it to the UOS/DL to ensure that all elements match (time billed, procedure code, etc...). After the supervisor approves the UOS, it is then submitted to the data entry staff, and the note is filed in the client's clinical record.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Reference Number:	11- 08
Federal Program Title:	Block Grants for Community Mental Health Services
Federal Catalog Number:	93.958
Federal Agency:	U.S. Department of Health & Human Services (HHS)
Pass-Through Entity:	California Department of Mental Health
Federal Award Number and Year:	N/A – 2010
Name of Department:	Department of Mental Health (DMH)
Category of Finding:	Subrecipient Monitoring – Lack of Supporting Documents

Criteria

- a. Per OMB Circular A-133§____.400(d), *Pass-through entity responsibilities*, a pass-through entity shall perform the following for the federal awards it makes:
 - (1) Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved;
 - (2) Follow-up to ensure corrective action on deficiencies noted in during award monitoring;
 - (3) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action;
- b. Per OMB Circular A-133§____.300(b), the County must "maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs."

Condition

The Department of Mental Health (DMH) is required to monitor the activities of subrecipients to ensure that federal awards are used in compliance with the federal grant requirements. These monitoring reports and/or compliance reviews must be recent to ensure that the pass-through entity responsibilities of OMB Circular A-133 are met. One (1) subrecipient case file did not include a recent monitoring review.

Cause

Lack of enforcement of policies and procedures requiring a completed monitoring report/compliance review for a subrecipient of federal grant awards.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Effect

Failure to conduct timely monitoring reports/compliance reviews of subrecipients of federal grant awards may result in noncompliance with OMB A-133 grant guidelines.

Questioned Costs

None reported in subrecipient single audit report.

Context

During our review of nine (9) case files selected for testing, we noted one case file (11%) did not include a recent monitoring report or compliance review. For this case file, we further reviewed the subrecipient's single audit report and noted no findings.

**COUNTY OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Recommendation

We recommend DMH consistently enforce policies and procedures requiring the completion of a monitoring report and/or compliance review of subrecipients receiving federal grant awards.

Management Response and Corrective Action

DMH agrees with the recommendation. DMH will continue to work diligently with the Los Angeles County Auditor-Controller to ensure Non-Governmental Organizations (NGO) with existing contracts are financially and programmatically monitored and/or reviewed in accordance with existing federal, State and County rules and regulations, policy/procedures, and contract provisions. In addition to the monitoring and contract compliance reviews, DMH program staff will continue to perform on site evaluations, while its Financial Services Bureau annually evaluates the financial condition of every NGO.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

CFDA# 93.659 - Adoption Assistance
CFDA# 93.674 - Chafee Foster Care Independence
CFDA# 93.658 - Foster Care - Title IV- E
CFDA# 93.667 - Social Services Block

Finding # 10-01 - Activities Allowed or Unallowed – Lack of Supporting Documents and Controls over Payroll Transactions

Condition

The Department of Children and Family Services (DCFS) performs one timestudy per quarter for all federal award programs in the consolidated County Expense Claim (CEC). Out of sixty (60) timestudy transaction samples selected for testing from the CEC report, the following control and compliance issues were noted:

- a. Four (7%) employee timestudies reviewed contained instances where the employee coded the time as worked on the program per the timestudy report, even though the employee's timesheet revealed that there was no time worked on the program, but rather indicated sick time or vacation time;
- b. One (2%) employee's hours on the timesheet did not match the hours paid per the CWTAPPS system;

In addition, MGO tested allocable support staff costs also claimed through the CEC report. During our testing of sixty (60) support staff transaction samples, the following control and compliance issues were noted:

- c. One (2%) employee timesheet was not properly reviewed and approved by supervisory personnel; and
- d. Three (5%) employees' hours on the timesheet did not match the hours paid per the CWTAPPS system.

Recommendation

We recommend DCFS implement the following:

- a. Enforce policies and procedures to ensure management reviews and approves timesheets and timestudies concurrently for reasonableness;
- b. Enforce control procedures to ensure that the hours on the employee's timesheet match the hours per CWTAPPS.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Current Year Management Response

The Department of Children and Family Services Human Resources Management continues its efforts to implement the eCAPS Time Collection System for the last group of approximately 800 employees. We expect the eCAPS Time Collection System to resolve document maintenance problems. In addition, the Internal Controls Section conducts monthly payroll/personnel quality assurance reviews to ensure payroll staff enters an employee's time in the Countywide Timekeeping and Payroll Personnel System correctly.

eCAPS Time Collection System Staff is in the process of developing an electronic adjustment tool that will also help to resolve the variance between the original timesheet and the Countywide Timekeeping and Payroll Personnel System. The electronic timesheet adjustment tool is expected to be in operation in 2012.

Current Status as of June 30, 2011

- a. Partially Implemented (See current year finding 11-06)
- b. Implemented

Implementation Date

- a. Expected implementation date May 2012.
- b. August 2011

CFDA # 84.027 - Special Education - Grants to States

Finding # 10-02 - Eligibility and Subrecipient Monitoring – Lack of Timely Assessment, Quarterly Face to Face Contact, and Timely Contact for Establishing Date of IEP Meeting

Condition

During our testing of sixty (60) case files, the following compliance issues were noted:

- a. Nine (15%) case files were not assessed for mental health services by the Department of Mental Health (DMH) within sixty days from the receipt of the written parental consent for the assessment. Furthermore, there was no evidence in the case file demonstrating that a parent has requested an extension for the assessment;
- b. Eighteen (30%) case files did not contain evidence that face-to-face contact was performed quarterly by DMH case managers; and

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

- c. For one (2%) case file, DMH did not contact the local education agency (LEA) within sixty days from the receipt of parental consent to establish the date of the Individualized Education Program (IEP) meeting.

Recommendation

We recommend DMH enforce the policies and procedures in order to ensure compliance with OMB A-133 grant guidelines, California Code of Regulations Title 2, Division 9, and AB1662, Chapter 653.

Current Year Management Response

Department of Mental Health agrees with and has partially implemented the recommendation.

Current Status as of June 30, 2011

Partially Implemented. See current year finding 11-05.

Expected Implementation Date

By June 30, 2012, the school districts will be assuming this responsibility and the Department of Mental Health will no longer be providing this service.

CFDA 93.044/93.045/93.053/93.705/93.707- Aging Cluster

Finding # 10-03 - Special Tests and Provisions – Lack of Timely Nutrition Services Incentive Program (NSIP) Payments

Condition

Out of sixty (60) invoices selected, one (2%) invoice for NSIP was not paid within 30 days. In this case, the payment was 4 days late. This invoice is specifically for CFDA # 93.053 Area Agency on Aging USDA CI and is not related to ARRA funds.

Recommendation

We recommend that the Department of Community and Senior Services enforce policies and procedures to ensure compliance with federal requirements and the County of Los Angeles Fiscal Manual.

Current Year Management Response

Community and Senior Services agrees with this finding and has taken appropriate action to ensure that payments are made in accordance with OMB and County Fiscal

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Manual timelines. Community and Senior Services, as part of overall changes to its payment process, ceased its practice of finance staff verifying contract documents. This was to avoid replication of these functions which are also performed by contracts staff.

Current Status as of June 30, 2011

Implemented

Implementation Date

July 1, 2010

**CFDA# 93.658 - Foster Care-Title
CFDA# 93.667- Social Services Block Grant**

Finding # 10-04 - Eligibility – Controls and Compliance over Eligibility

Condition

During our testing of sixty (60) case files, three eligibility re-determinations were not performed in a timely manner. The costs associated with these participants are included in total costs allocated between ARRA and non-ARRA funding for CFDA No. 93.658; however, the specific amount at the individual participant level is not readily determinable.

- a. One (2%) eligibility re-determination was performed two months late;
- b. One (2%) eligibility re-determination was performed three months late;
- c. One (2%) case did not contain evidence that a re-determination was performed within 12 months.

Recommendation

We recommend DCFS enforce policies and procedures to ensure compliance with federal requirements and DCFS Procedural Guide E020-051.

Current Year Management Response

The Department of Children and Family Services Revenue Enhancement Management has re-enforced Redetermination policies and procedures in their weekly Management Team Meetings. It is important to note that the cases cited with the untimely redeterminations were found eligible for Federal financial participation. The fact that the redetermination was not done timely did not result in non-compliance cases.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Current Status as of June 30, 2011

Implemented

Implementation Date

July 2010

CFDA 93.044/93.045/93.053/93.705/93.707- Aging Cluster

Finding #10-05 - Activities Allowed or Unallowed – Lack of Supporting Documents over Payroll Transactions

Condition

Out of sixty (60) monthly payroll transactions selected for testing, one (2%) employee's hours on the time card did not match the hours per the CWTAPPS system. The cost associated with this transaction is related to non-ARRA funds.

Recommendation

We recommend CSS enforce control procedures to ensure that the hours on the employee's time card match the hours per CWTAPPS.

Current Year Management Response

Community and Senior Services agrees with the finding and continues to address the root cause as identified. As noted, the Department has an existing policy in place regarding the submission of accurate timecards. Inclusive within the policy is the provision that supervisory staff ensure accurate documentation of work hours and the provision of all relevant documents when submitting corrections or/and late timecards. The Departmental Payroll Liaison is responsible for reviewing the semi-monthly Departmental Timecard Submission Reports for potential discrepancies. The Human Resources liaison, through her support staff, reviews the semi-monthly report for outstanding timecards, timecards that may be pending approval and/or require the submission of Time Card Corrections, and signed copies of eCAPS timecards, in an effort to mitigate potential time coding errors.

Current Status as of June 30, 2011

Implemented

Implementation Date

February 1, 2010

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

CFDA# 93.659 - Adoption Assistance

Finding # 10-06 - Eligibility- Lack of Supporting Documents and Controls over Eligibility

Condition

During our testing of sixty-three (63) Adoption Assistance Program cases, control and compliance issues were noted. The costs associated with these participants are included in total costs allocated between ARRA and non-ARRA programs; however, the specific amount at the individual participant level is not readily determinable.

- a. Three (5%) cases contained an initial AD 4320 form that was properly signed by the adoptive parent(s); however, the "Reasons for AAP Eligibility" section, indicating that the child has special needs, was not completed. MGO was able to verify that the child has special needs through the review of the "Barriers to Adoption" section of the AAP4 form. Although MGO was able to verify that the child has special needs, the Initiating Adoption Assistance Benefits Procedural Guide requires that the initial AD 4320 form be properly completed.
- b. One (2%) case did not contain an initial 4320 form. In addition, the case did not contain an AAP4 form because at the time the case was initiated, the AAP4 form was not required. Therefore, MGO could not verify that the child was determined by the County to be a child with special needs, the County made reasonable efforts to place the child for adoption without a subsidy, and the agreement for the subsidy was signed and was in effect before the final decree of adoption. However, MGO was able to verify that the child was federal AFDC-FC eligible through the review of FC3 form, "Determination of Federal AFDC-FC Eligibility."
- c. Three (5%) cases contained an AAP4 form in which the "Federal Eligibility Information" section was not completed. However, MGO was able to verify that the child was federal AFDC-FC eligible through the review of FC3 form, "Determination of Federal AFDC-FC Eligibility." Although MGO was able to verify that the child was federal AFDC-FC Eligible, the Adoption Assistance Program (AAP) Policies (E080-0530) require that the AAP4 form be properly completed.
- d. Three (5%) cases contained an AAP4 form; however, the "Barriers to Adoption" section, indicating that the child has special needs, was not completed. MGO was able to verify that the child has special needs through the review of the "Reasons for AAP Eligibility" section of the initial AD 4320 form. Although MGO was able to verify that the child has special needs, the Adoption Assistance Program (AAP) Policies (E080-0530) require that the AAP4 form be properly completed.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

- e. One (2%) case did not contain an AAP4 form or the FC3 form; therefore, MGO was unable to verify that the child was federal AFDC-FC Eligible.

Recommendation

We recommend DCFS enforce its policies and procedures in order to ensure compliance with Part IV of OMB Circular A-133 Compliance Supplement for the Adoption Assistance program, the Initiating Adoption Assistance Benefits Procedural Guide 0200-511.05 and the Adoption Assistance Program (AAP) Policies (E080-0530).

Current Year Management Response

The Department of Children and Family Services Adoption and Permanency Resources Division management issued a memorandum to the Adoption and Permanency Resources Division staff outlining the changes to the processing of initial and amended the Adoption Assistance Program agreements. The AAP4 form was consolidated with information from the AD4320 and FC3 forms. The Adoption and Permanency Resources Division staff will complete the new AAP4 form in the future.

Current Status as of June 30, 2011

Implemented

Implementation Date

June 28, 2011

CFDA# 20.205 - Highway Planning and Construction CFDA

Finding # 10-07 - Davis Bacon – Lack of Statement of Compliance (Certified Payroll)

Condition

While testing the requirements of the Davis-Bacon Act, we noted that out of forty (40) contractor samples selected, one (3%) contractor did not provide a statement of compliance (certified payroll) for the week of August 10, 2009. The payments to this contractor were not related to ARRA funding.

Recommendation

We recommend that the Department of Public Works obtain a statement of compliance (certified payroll) from their contractors and subcontractors and perform a review before reimbursing contractors and subcontractors.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Current Year Management Response

Department of Public Works Construction Division has reminded the Labor Compliance Staff to be thorough and cautious in reviewing the certified payrolls to ensure a complete file before authorizing payment. There is no need for further action on this issue.

Current Status as of June 30, 2011

Implemented

Implementation Date

March 2, 2011

CFDA # 93.674 - Chafee Foster Care Independence Program

Finding # 10-08 - Eligibility – Controls and Compliance over Eligibility

Condition

During the testing of program expenditures, we noted that out of sixty (60) samples selected, one (2%) participant was 17 years of age at the time they received funds for dormitory rent assistance.

Recommendation

We recommend that the Department of Children and Family Services reinforce a system of internal controls which requires a thorough review of all funds disbursed for room and board to ensure compliance with the Social Services Standards Manual, Section 30-506.

Current Year Management Response

The Department of Children and Family Services Youth Development Services Division staff updated the ILP Policy clarifying that Chafee regulations do not allow *Room and Board* expenditures for youth under the age of 18. The Youth Development Services Division Management disseminated the revised policy via e-mail on March 21, 2011 and subsequently trained the Youth Development Services Division staff on properly interpreting and applying *Room and Board* requests in the Request for Funds Form at the general staff meeting held on April 26, 2011.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Current Status as of June 30, 2011

Implemented

Implementation Date

April 26, 2011

CFDA# 93.556 - Promoting Safe and Stable Families CFDA# 93.556

Finding # 10-09 - Subrecipient Monitoring - During the Award Monitoring

Condition

Out of 17 subrecipients selected for testing, the following control and compliance issues were noted:

- a. Four (14%) subrecipient files did not contain a Single Audit report;
- b. Thirteen (36%) subrecipients submitted Single Audit reports; however, there was no evidence of DCFS management review including follow-up of findings noted;
- c. Two (21%) subrecipient files did not contain evidence of follow-up to ensure corrective action on deficiencies noted during the award monitoring.

Recommendation

We recommend DCFS enforce current policies and procedures to ensure compliance with OMB Circular A-133 Subrecipient Monitoring requirements.

Current Year Management Response

Currently, Department of Children and Family Services management is finalizing a detailed process to ensure all necessary reviews, audits, and reports are in place and result in full compliance with Federal guidelines.

Current Status as of June 30, 2011

Implemented

Implementation Date

September 30, 2011

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

CFDA # 93.959 - Block Grants for Prevention and Treatment of Substance Abuse

Finding # 10-10 - Subrecipient Monitoring - During the Award Monitoring and Identification of Federal Award Information

Condition

During our testing of sixty (60) subrecipients, five (8%) subrecipients were not made aware of the award information (i.e. CFDA title and number, award name and number, if the award is research and development, and name of Federal awarding agency) at the time of award. Subsequent to the award, these subrecipients did become aware of the award information to determine the need for a single audit.

Recommendation

We recommend DPH communicate all federal award information (i.e., CFDA title and number, award name and number, and the name of Federal awarding agency) to all subrecipients in a timely manner to ensure compliance with OMB A-133 Subrecipient Monitoring requirements.

Current Year Management Response

The Department of Public Health, Substance Abuse Prevention and Control agrees with this recommendation, which was implemented during FY 2009-10, and is now an annual process.

Current Status as of June 30, 2011

Implemented

Implementation Date

July 1, 2011

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

CFDA # 93.558/93.714 - Temporary Assistance for Needy Families (TANF)

Finding # 10-11 - Activities Allowed or Unallowed – Lack of Controls over Time Study Transactions

Condition

The Department of Public Social Services (DPSS) performs one Random Moment Time Study (RMTS) per quarter for all federal award programs in the consolidated County Expense Claim (CEC). Out of sixty (60) timestudy transaction samples selected for testing from the CEC report, one (2%) RMTS did not match the corresponding employee timesheet. The RMTS showed the employee worked on the program while the timesheet showed the employee using vacation time. The amount for this transaction was not included for reimbursement in the revised CEC. This item is related to the non-ARRA portion of the CEC.

Recommendation

We recommend DPSS enforce policies and procedures to ensure thorough management reviews of Random Moment Time Studies (RMTS).

Current Year Management Response

The Department of Public Social Services agrees with the recommendation and the Fiscal Management Branch issued Fiscal Memorandum #2011/02-1, Random Moment Time Study Instructions to all District Directors, Section Heads, Random Moment Time Studies Observers, and their designated back-ups on June 16, 2011. This memo provides instructions that will assist in avoiding potential errors while conducting and completing the Random Moment Time Studies activities. In addition, the Department conducted Random Moment Time Studies training for all managers at the level of Administrative Service Manager/Human Services Administrator III, Administrative Deputies, Random Moment Time Studies Observers, and their back-ups who are responsible for completing Random Moment Time Studies reports. This training was completed June 30, 2011.

Current Status as of June 30, 2011

Implemented

Implementation Date

June 30, 2011

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Finding # 09-04 - Protection of Information Assets (DHS)

Condition

During our review we noted the following:

- a. One of the hospital facility's server room does not have the following:
 - i. An independent air conditioning system
 - ii. An automatic monitoring of server room temperature or any notification system that would inform IT management and building maintenance if environmental conditions fall out of tolerances
 - iii. An automatic fire suppression system

The lack of these items increases the risk of damage to IT assets and data loss. We also observed that a security door to the server room was propped open to allow for air circulation in the absence of an air conditioning system. This also increases risk of accidental or deliberate damage or tampering with IT equipment and data.

- b. At another hospital facility, IT assets are not currently safeguarded by an active dry fire suppression system. The server room has a Halon system, but it had been disconnected.

Recommendation

We recommend that the County take the following actions:

- a. Server room conditions should be improved with an independent air conditioning system, and automatic temperature monitoring system and dry fire suppression system. In addition, IT management should implement oversight procedures to ensure that server room doors remain locked and not propped open;
- b. Evaluate options and budget for the replacement of the Halon fire suppression system because the system should be reactivated as soon as possible.

Current Year Management Response

Department of Health Services agrees with the recommendation. The unlocked server room door issue has been corrected. The facility's IT staff were in-serviced to ensure the server room is locked and secure in accordance with policy. Additionally a server room is scheduled for construction and will include architectural, mechanical, and electrical upgrades which will include an independent air conditioning system, automatic monitoring of server room temperature, and automatic fire suppression system.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Department of Health Services Management is evaluating funding sources available to improve the fire suppression system at the second facility, which would include the facility's server room.

Current Status as of June 30, 2011

Partially Implemented

Expected Implementation Date

December 31, 2012

CFDA # 84.027 - Special Education - Grants to States

Finding # 09-07 - Reporting – Lack of Supporting Documentation and Controls over Reporting

Condition

The Department of Mental Health (DMH) is required to provide an accounting of expenditures to Los Angeles County Office of Education (LACOE) twice a year, through an "Accounting of Expenditure" report. For the fiscal year under review, DMH was unable to provide a copy of the report, evidence the report was submitted timely, or documentation supporting the process to develop or prepare the report.

Recommendation

MGO recommends DMH establish policies and procedures to ensure that the "Accounting for Expenditure" reports are prepared and submitted to LACOE in accordance with the MOU.

Current Year Management Response

The Department of Mental Health Chief Information Office agrees with the recommendation and has implemented procedures which confirm and verify the publication of data to the Los Angeles County – Office of Education. The procedures are summarized as:

- Extracting and loading data per business rules established by the Department of Mental Health County Wide Case Management
- Providing a data extract for review to the Department of Mental Health County Wide Case Management and the Department of Mental Health Office of Financial Services, approximately 30 days prior to submission to the Los Angeles County – Office of Education.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

- Upon confirmation of County Wide Case Management - Publishing data to secure site for download
- Notifying Los Angeles County – Office of Education
- Logging extract file creation and notification to Los Angeles County – Office of Education

These procedures may be altered as needed pending notification and confirmation of the Department of Mental Health Countywide Case Management and Office of Financial Services.

Current Status as of June 30, 2011

Implemented

Implementation Date

September 1, 2010

CFDA # 84.027 - Special Education - Grants to States

Finding # 09-08 - Eligibility and Subrecipient Monitoring – Lack of Timely Assessment and Quarterly Face to Face Contact

Condition

During our review of forty (40) case files, the following compliance issues were noted:

- a. Eight (20%) case files were not assessed for mental health services by the Department of Mental Health (DMH) within sixty days from the receipt of the written parental consent for the assessment. Furthermore, there was no evidence in the case file demonstrating that a parent had requested an extension for the assessment;
- b. Eighteen (45%) case files did not contain evidence of quarterly face-to-face contact from DMH case managers.

Recommendation

We recommend DMH enforce the policies and procedures in order to ensure compliance with OMB A-133 grant guidelines, California Code of Regulations Title 2.Division 9.and AB 1662, Chapter 653.

Current Year Management Response

Department of Mental Health agrees with and has partially implemented this recommendation.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Status as of June 30, 2011

Partially Implemented. See current year finding number 11-05.

Expected Implementation Date

By June 30, 2012, the school districts will be assuming this responsibility and the Department of Mental Health will no longer be providing this service.

CFDA # 93.659 - Adoption Assistance

Finding # 09-09 - Eligibility – Lack of Supporting Documents and Controls over Eligibility

Condition

During our review of sixty Adoption Assistance Program cases, the following control and compliance issues were noted:

- a. One (2%) case contained an initial AD 4320 form, in which the adoptive parent(s) signed the "Deferred Agreement" indicating that they did not need assistance at that time. However, it was noted that the parent received assistance during the fiscal year;
- b. Two (3%) cases contained an initial AD 4320 form that was properly signed by the adoptive parent(s); however, the "Reasons for AAP Eligibility" section, indicating that both children have special needs, was not completed. MGO was able to verify that the child has special needs through the review of the "Barriers to Adoption" section of the AAP4 form or the "Adoption Assistance Program Worksheet and Referral" form. Although MGO was able to verify that the children have special needs, the Initiating Adoption Assistance Benefits Procedural Guide requires that the initial AD 4320 form is properly completed;
- c. Three (5%) cases contained an AAP4 form; however, the "Federal Eligibility Information" section, indicating that the child meets the eligibility requirements for federal AFDC-FC (Title IV-E foster care), was not completed or was incorrectly filled out. Please see details for each case below:
 - i. One (2%) case contained an AAP4 form in which the "Federal Eligibility Information" section was not completed. However, MGO was able to verify that the child was federal AFDC-FC eligible through the review of FC3 form, "Determination of Federal AFDC-FC Eligibility." Although MGO was able to verify that the child was federal AFDC-FC Eligible, the Adoption Assistance Program (AAP) Policies (E080-0530) requires that the AAP4 form is properly completed;

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

- ii. One (2%) case contained an AAP4 form in which the "Federal Eligibility Information" section was erroneously marked that the child was eligible for the Supplemental Security Income Benefits (SSI/SSP) instead of the Federal AFDC-FC eligible benefits. However, per review of the FC3 form, "Determination of Federal AFDC-FC Eligibility," the child was determined to be federal AFDC-FC Eligible. Although MGO was able to verify that the child was federal AFDC-FC Eligible, the Adoption Assistance Program (AAP) Policies (E080-0530) requires that the AAP4 form is properly completed;
- iii. One (2%) case contained an AAP4 form in which the "Federal Eligibility Information" section was erroneously marked that the child was eligible for the Supplemental Security Income Benefits (SSI/SSP) instead of the Federal AFDC-FC eligible benefits. In addition, the Department of Children and Family Services (DCFS) was unable to provide an FC3 form, "Determination of Federal AFDC-FC Eligibility," which would support that the child was AFDC-FC eligible. Therefore, MGO was unable to verify that the child was federal AFDC-FC Eligible;
- d. Two (3%) cases contained an AAP4 form; however, the "Barriers to Adoption" section, indicating that the child has special needs, was not completed. MGO was able to verify that both children have special needs through the review of the "Reasons for AAP Eligibility" section of the initial AD 4320 form. Although MGO was able to verify that the children have special needs, the Adoption Assistance Program (AAP) Policies (E080-0530) require that the AAP4 form is properly completed;
- e. One (2%) case did not contain an AAP4 form; therefore, MGO was unable to verify that the child was federal AFDC-FC Eligible.

Recommendation

MGO recommends DCFS enforce its policies and procedures in order to ensure compliance with Part IV of OMB Circular A-133 Compliance Supplement for the Adoption Assistance program, Initiating Adoption Assistance Benefits Procedural Guide and the Adoption Assistance Program (AAP) Policies (E080-0530).

Current Year Management Response

The Department of Children and Family Services Adoption & Permanency Resources Division Management issued a memorandum to all Adoption & Permanency Resources Division staff with a modified FYI (For Your Information) attachment on how to properly complete Adoption Assistance Program documentation.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Current Status as of June 30, 2011

Implemented

Implementation Date

March 2011

CFDA # 93.659 - Adoption Assistance

CFDA # 93.674 - Chafee Foster Care Independence Program

CFDA # 93.658 - Foster Care Title IV-E

CFDA # 93.667 - Social Services Block Grant

Finding # 09-10 - Activities Allowed or Unallowed – Lack of Supporting Documents and Controls over Payroll Transactions

Condition

The Department of Children and Family Services (DCFS) performs one time study per quarter for all federal award programs in the consolidated County Expense Claim (CEC). Out of sixty-nine (69) timestudy transaction samples selected from the CEC report, the following control and compliance issues were noted:

- a. Four (6%) employee time studies reviewed contained instances where the employee coded the time as worked on the program per the time study, even though the employee's timesheet revealed that there was no time worked on the program, but rather indicated sick time or vacation time;
- b. Ten (14%) employees hours on the timesheet did not match the hours paid per the CWTAPPS system;
- c. Four (6%) employee timesheets were missing; consequently, we could not determine whether any time had been worked by the employee or whether the timesheets were properly reviewed and approved by supervisory personnel.

In addition, MGO reviewed allocable support staff costs also claimed through the CEC report. During our review of forty five (45) support staff transaction samples, the following control and compliance issue was noted:

- d. Six (13%) employee timesheets were missing. Consequently, we could not determine whether any time had been worked by the employee or whether the timesheets were properly reviewed and approved by supervisory personnel.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Recommendation

We recommend that DCFS implement the following actions:

- a. Develop policies and procedures to ensure management reviews timesheets and time studies concurrently for reasonableness;
- b. Enforce control procedures to ensure that the hours on the employee's timesheet match the hours per CWTAPPS.

Current Year Management Response

The Department of Children and Family Services Human Resources Management continues its efforts to implement the eCAPS Time Collection System for the last group of approximately 800 employees. We expect the eCAPS Time Collection System to resolve document maintenance problems. In addition, the Internal Controls Section conducts monthly payroll/personnel quality assurance reviews to ensure payroll staff enters an employee's time in the Countywide Timekeeping and Payroll Personnel System correctly.

eCAPS Time Collection System Staff is in the process of developing an electronic adjustment tool that will also help to resolve the variance between the original timesheet and Countywide Timekeeping and Payroll Personnel System. The electronic timesheet adjustment tool is expected to be in operation in 2012.

Current Status as of June 30, 2011

- a. Partially Implemented (See current year finding 11-06)
- b. Implemented

Expected Implementation Date

- a. Expected implementation date May, 2012
- b. May, 2011

CFDA # 93.658 - Foster Care Title IV-E
CFDA # 93.667 - Social Services Block Grant

Finding 09-11 - Eligibility and Activities Allowed or Unallowed – Controls and Compliance over Eligibility

Condition

During our review of forty-seven (47) case files, three (6%) eligibility re-determination's were not performed in a timely manner.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

- a. One (2%) eligibility re-determination was performed two months late;
- b. One (2%) eligibility re-determination was performed seven months late;
- c. One (2%) eligibility re-determination for fiscal year (FY) 08/09 was completed the same day as the re-determination for FY 07/08.

Recommendation

We recommend DCFS enforce policies and procedures to ensure compliance with the DCFS Procedural Guide E020-051 and with OMB Circular A-133.

Current Year Management Response

The Department of Children and Family Services Revenue Enhancement Management has re-enforced Redetermination policies and procedures in their weekly Management Team Meetings. It is important to note that the cases cited with the untimely redeterminations were found eligible for Federal financial participation. The fact that the redetermination was not done timely did not result in non-compliance cases.

Current Status as of June 30, 2011

Implemented

Implementation Date

July 2010

CFDA # 93.556 - Promoting Safe and Stable Families

Finding # 09-14 - Subrecipient Monitoring – During the Monitoring and Identification of Federal Award Information

Condition

Out of 14 subrecipients selected for review, the following control and compliance issues were noted:

- a. Thirteen (93%) contracts with the subrecipients did not contain the CFDA title, number, award name and federal agency. Furthermore, one (7%) subrecipient contract was not made available to MGO for review. Therefore, MGO was unable to verify whether the Department of Children and Family Services (DCFS) communicated the CFDA title, number, award name and federal agency to the subrecipient;
- b. Two (14%) subrecipients were not accompanied by a single audit report;

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

- c. Five (36%) subrecipients were accompanied by a single audit report; however, there was no evidence of DCFS management review including follow-up of findings noted;
- d. Three (21%) subrecipients were not accompanied by a Monitoring Report; therefore, there was no evidence of follow-up to ensure subrecipient corrected findings (if any);
- e. The department does not have formal subrecipient monitoring policies and procedures.

Recommendation

We recommend DCFS develop and implement procedures to ensure subrecipient monitoring processes are in accordance with OMB Circular A-133.

Current Year Management Response

Currently, Department of Children and Family Services management is finalizing a detailed process to ensure all necessary reviews, audits, and reports are in place and result in full compliance with Federal guidelines.

Current Status as of June 30, 2011

Implemented

Implementation Date

September 30, 2011

CFDA # 93.044/93.045/93.053 - Aging Cluster

Finding # 09-16 - Activities Allowed or Unallowed - Lack of Supporting Documents and Controls over Payroll Transactions

Condition

During our review of forty (40) timecards, we noted that one (3%) employee timecard did not match the hours paid per the CWTAPPs system.

Recommendation

We recommend CSS enforce policies and procedures to ensure compliance with OMB A-87.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Current Year Management Response

Community and Senior Services agrees with this recommendation and has taken appropriate action to ensure the submission of accurate timecards. The Department has existing policy and procedures in place regarding the submission of accurate timecards. Nevertheless, in an effort to mitigate potential errors and reinforce policy, the Human Resources Division, Payroll Liaison has been tasked with conducting a monthly review audit of Community and Senior Services timecards submitted through the Countywide Timecard System (eCAPS) to ensure that accurate time and codes are recorded. Given the Divisions limited resources, the Payroll Liaison audits a 10% sample of all Community and Senior Services timecards submitted through eCAPS and 100% of all hardcopy timecard submissions.

Current Status as of June 30, 2011

Implemented

Implementation Date

July 1, 2011

CFDA # 16.606 - State Criminal Alien Assistance Program

#Finding # 09-20 - Activities Allowed or Unallowed – Lack of Supporting Documents and Controls over Payroll

Condition

During our review of sixty (60) State Criminal Alien Assistance Program (SCAAP) payroll transactions, we found that one (2%) employee time card was missing. Therefore, it could not be determined whether the employee actually worked during the pay period for which they were paid.

Recommendation

We recommend the Sheriff's department revisit their policies and procedures over record retention to ensure compliance with OMB A-110.

Current Year Management Response

The Sheriff Department agrees with the finding. The Department's State Criminal Alien Assistance Program Policy and Procedures were updated to include procedures over record retention to ensure compliance with OMB A-110. Time, the electronic recording of time records, is currently being maintained by the Department. Employees assigned to Custody, Correctional, and Court Services are not entering their time electronically

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

through Timei. Employees assigned to these units are having their time entered electronically by the timekeepers assigned to these units.

Current Status as of June 30, 2011

Implemented

Implementation Date

February 2011

CFDA # 93.659 - Adoption Assistance

Finding # 08-03 - Activities Allowable or Unallowable – Controls over Cash Disbursements

Condition

Once a child enters into the Adoption Assistance Program, form AAP2 is completed by the eligibility worker of the Revenue Enhancement Division to determine if the child is eligible for funds. After review and approval from the supervisor, the AAP2 form is sent to Fiscal Monitoring and Special Payments division. Data from the AAP2 is entered into an AAP stand-alone system. The AAP stand-alone system does interface with the APPS (Automated Provider Payment System) which is interfaced with the e-Countywide Accounting and Purchasing System (e-CAPS) for payment. After all the data is entered, a check is automatically generated every month. Currently, there is no process in place to review and approve data entered into the stand alone system.

Due to the weakness noted above, 1 out of 48 cases (2%) selected to review was incorrectly coded as a Federal case in the AAP stand-alone system when it should have been coded as a State case.

Recommendation

MGO recommends the County implement and enforce policies and procedures over the review of data inputted to the stand alone system.

Current Year Management Response

The Department of Children and Family Services no longer utilizes a stand alone system. The Adoption Assistance Program web-based system has been fully implemented and Eligibility Workers are currently processing Adoption Assistance Program payments in the new Adoption Assistance Program payment program. The Adoption Assistance Program Freed Child and AAP Intake Policy have been revised.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Current Status as of June 30, 2011

Implemented

Implementation Date

July 20, 2010

CFDA # 93.658 - Foster Care Title IV-E

CFDA # 93.659 - Adoption Assistance

CFDA # 93.667 - Social Services Block Grant

CFDA # 93.674 - Chafee Foster Care Independence Program

Finding # 08-08 - Activities Allowed or Unallowed – Lack of Supporting Documents and Controls over Payroll Transactions

Condition

The Department of Children and Family Services (DCFS) performs one time study per quarter for all federal award programs in the consolidated County Expense Claim (CEC). Out of one hundred fifty-six (156) time study transaction samples from the CEC report, the following control and compliance issues were noted:

- a. Twenty (13%) employee time studies did not contain reasonable hours when compared to hours on the employee's timesheet (for example, an employee was sick or on vacation according the timecard but hours were allocated to a working Pin Code);
- b. Sixteen (10%) employee timesheets did not match the hours paid per the CWTAPPS system;
- c. Twenty (13%) employee timesheets were missing;
- d. Three (2%) supervisors' signatures could not be verified. Therefore, it could not be determined whether the timecards were properly approved by authorized personnel;
- e. One (1%) employee was missing the language proficiency certificate on file as evidence of a properly approved bi-lingual pay bonus;
- f. One (1%) employee's salary exceeded the approved MOU range.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Recommendation

We recommend the following actions to be implemented:

- a. Develop policies and procedures to ensure management reviews timecards and time studies concurrently for reasonableness.
- b. Enforce control procedures to ensure that the hours on the employee's timesheet match the hours per CWTAPPS;
- c. Enforce procedures for the record retention of timesheets, in order to ensure that copies are kept on file and management approval may be reviewed;
- d. Enforce policies and procedures to ensure that copies of the Language Proficiency Certificate are kept on file to ensure that the bi-lingual bonus pay is properly supported;
- e. Enforce policies and procedures to ensure that employee's salaries/hourly rates are supported by the approved MOU range.

Current Year Management Response

The Department of Children and Family Services Human Resources Management continues its efforts to implement the eCAPS Time Collection System for the last group of approximately 800 employees. We expect the eCAPS Time Collection System to resolve document maintenance problems. Human Resource Management issued a memorandum to staff regarding the 5-year retention requirement and continues to distribute the memo at the monthly eCAPS Liaison Training Meetings. Department staff developed policies and procedures to ensure proper documentation is maintained for bi-lingual certificates and pay exceeding the MOU. In addition, the Internal Controls Section continues to conduct monthly payroll/personnel quality assurance reviews to ensure the hours in time cards and the Countywide Timekeeping and Payroll Personnel System match.

Department of Children and Family Services Human Resources Management has ensured that managers are reminded periodically of the requirement to maintain records for a period of at least five years.

Current Status as of June 30, 2011

- a. Partially implemented. (See current year finding 11-06)
- b. Implemented
- c. Implemented
- d. Implemented
- e. Implemented

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Implementation Date

- a. Expected implementation date May 2012
- b. December 15, 2010
- c. August 2011
- d. February 2009
- e. August 2008

CFDA # 93.674 - Independent Living Skills – Children's Services

CFDA # 93.658 - Health Care Program Children in Foster Care

CFDA # 93.659 - Adoptions - Administration and Assistance

CFDA # 93.777/93.778 - Medicaid Cluster (Children's Welfare Services)

Finding # 07-10 - Activities Allowed or Unallowed – Lack of Supporting Documents and Controls over Payroll Transactions

Condition

Department of Children and Family Services (DCFS) performs one timestudy per quarter for all federal award programs in the consolidated County Expense Claim (CEC) report. Out of one hundred (100) time study transaction samples from the CEC report, the following control and compliance issues were noted:

- a. Nine (9%) timecards were "blank" (i.e., no actual work hours were filled out by employees). The County's payroll department recorded default 40 work hours into the Countywide Time Keeping and Payroll Personnel System (CWTAPPS) when the "blank" timesheets were received;
- b. Twenty four (24%) employee timesheets were missing;
- c. One (1%) employee was missing the language proficiency certificate on file as evidence of a properly approved bi-lingual pay bonus;
- d. Three (3%) supervisors' signature identification could not be verified. Therefore, it could not be determined whether the timecard was properly approved by authorized personnel;
- e. Twenty two (22%) employee hours on the timesheets did not match the hours paid per the CWTAPPS system.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Recommendation

We recommend the following actions to be implemented:

- a. Enforce the County payroll policies and procedures by communicating to employees and supervisors via training/memo to complete the default and variance hours on the timesheets;
- b. Establish control procedures to ensure that the hours on the timesheets match the hours per CWTAPPS;
- c. Establish policies and procedures for the record retention of timesheets, in order to ensure that copies are kept on file;
- d. Develop policies and procedures to ensure that copies of the Language Proficiency Certificate are kept on file to ensure that the bi-lingual bonus pay is properly supported;
- e. Establish procedures to ensure records of the employee's supervisors are kept on file in order to determine whether the timesheet is properly approved by authorized personnel.

Current Year Management Response

Department of Children and Family Services Human Resources Management continues its efforts to implement the eCAPS Time Collection System for the last group of approximately 800 employees. We expect the eCAPS Time Collection System to resolve document maintenance problems. Human Resource Management issued a memorandum to staff regarding the 5-year retention requirement and continues to distribute the memo at the monthly eCAPS Liaison Training Meetings. In addition, the Internal Controls Section continues to conduct monthly payroll/personnel quality assurance reviews to ensure the hours in time cards and Countywide Timekeeping and Payroll Personnel System match.

The Department of Children and Family Services Human Resources Management has ensured that managers are reminded periodically of the requirement to maintain records for a period of at least five years.

Current Status as of June 30, 2011

- a. Implemented
- b. Implemented
- c. Implemented
- d. Implemented
- e. Implemented

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Implementation Date

- a. January 2008
- b. May 2008
- c. August 2011
- d. May 2008
- e. August 2011

CFDA # 93.959 - Alcohol Block Grant

Finding # 07-13 - Subrecipient Monitoring – During the Award Monitoring and Identification of Federal Award Information

Condition

Under current procedures, the Department of Public Health (DPH) conducts contract monitoring on all subrecipients. However, the Department notifies only those subrecipients that have received more than \$500,000 in Alcohol and Drug Program (ADP) funds of the required federal award information. The Department then requests single audit reports from those notified.

Per review of forty samples in our testwork, we noted the following compliance issues:

- a. Twenty-two (55%) subrecipients that received less than \$500,000 in federal awards from ADP did not receive contracts or appending letters notifying them with all required federal award information. Below you will find the details:
 - i. Thirteen (33%)– missing CFDA number, award amount and name of federal agency; and
 - ii. Nine (23%) – missing all information plus award name.
- b. One (3%) subrecipient's Contract Monitoring Report was not filed timely.

Recommendation

We recommend the County perform the following:

- a. Modify current monitoring procedures to ensure that all subrecipients, including those receiving less than \$500,000 in federal funding from the ADP
 - i. Receive an appending letter containing all federal award information (i.e., CFDA number, amount of award, name of federal agency and award name) in a timely manner regardless if the agency requests it or not;
 - ii. Submit a copy of single audit report (if applicable) for review;

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

- b. Enforce monitoring procedures to ensure that all subrecipient monitoring reports are completed timely.

Current Year Management Response

The Department of Public Health, Substance Abuse Prevention and Control agrees with this recommendation, which was implemented during FY 2008-09, and is an annual process. Letters were sent out to contract service providers that received federal funds requesting their independent audit report if they received at least \$500,000 in federal funds. If the contract service provider received less than \$500,000, we requested a confirmation letter stating they are not required to obtain an independent audit since they are not subject to OMB A-133.

Current Status as of June 30, 2011

Implemented

Implementation Date

- a. July 1, 2009
- b. July 1, 2010

CFDA# 93.556 - Promoting Safe and Stable Families (PSSF)

Finding# 06-10 - Subrecipient Monitoring, Subrecipient Audits

Condition

We noted that 2 out of the 25 subrecipients tested did not have current Single Audit reports on file.

Recommendation

We recommend that DCFS ensure that up-to-date Single Audit reports are obtained from subrecipients, as applicable, and that subrecipients take timely and appropriate corrective action on all audit findings, if any.

Current Year Management Response

Currently, the Department of Children and Family Services management is finalizing a detailed process to ensure all necessary reviews, audits, and reports are in place and result in full compliance with Federal guidelines.

**COUNTY OF LOS ANGELES
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Current Status as of June 30, 2011

Implemented

Implementation Date

September 30, 2011

CFDA # 93.596 - Child Day Care Program

Finding # 05-32 - Allowable Costs and Activities

Condition

Based on the procedures performed, 2 of the 30 timesheets requested cannot be found.

Recommendation

Management should implement controls and retain documentation to support all hours worked for the program.

Current Year Management Response

The Department of Children and Family Services Human Resources Management continues its efforts to implement the eCAPS Time Collection System for the last group of approximately 800 employees. We expect to have all Department of Children and Family Services employees in the eCAPS Time Collection System by August 2011.

Department of Children and Family Services Human Resources Management has ensured that managers are reminded periodically of the requirement to maintain records for a period of at least five years.

Current Status as of June 30, 2011

Implemented

Implementation Date

August 2011

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**COUNTY OF LOS ANGELES
COMMUNITY AND SENIOR SERVICES
COMMUNITY SERVICES BLOCK GRANT
SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES
CSD CONTRACT NO. 09F-5158 ARRA
For the Year Ended June 30, 2011**

CFDA# 93.710

	<u>January 1, 2010 through June 30, 2010</u>	<u>July 1, 2010 through September 30, 2010</u>	<u>Total Costs</u>	<u>Total Budget</u>
REVENUE				
Grant Revenue	\$ 342,924	\$ 329,586	\$ 672,510	\$ 688,965
Interest Income	-	217	217	*
Other Income	-	-	-	-
Total Revenue:	<u>342,924</u>	<u>329,803</u>	<u>672,727</u>	<u>688,965</u>
EXPENDITURES				
<u>Administrative Costs</u>				
Salaries & Wages	23,388	16,418	39,806	34,422
Fringe benefits	15,612	9,662	25,274	15,643
Operating Expenses	-	-	-	14,900
Equipment	-	-	-	-
Out-of-State Travel	-	-	-	-
Subcontractor Services	-	-	-	-
Other Costs	-	-	-	-
Total Administrative Costs	<u>39,000</u>	<u>26,080</u>	<u>65,080</u>	<u>64,965</u>
<u>Program Costs</u>				
Salaries & Wages	-	-	-	-
Fringe benefits	-	-	-	-
Operating Expenses	10,108	20,433	30,541	-
Equipment	-	-	-	-
Out-of-State Travel	-	-	-	-
Subcontractor Services	293,816	283,188	577,004	624,000
Other Costs	-	-	-	-
Total Program Costs	<u>303,924</u>	<u>303,621</u>	<u>607,545</u>	<u>624,000</u>
Total Expenditures	<u>342,924</u>	<u>329,701</u>	<u>672,625</u>	<u>688,965</u>
Revenue over (under) costs	<u>\$ -</u>	<u>\$ 102</u>	<u>\$ 102</u>	<u>\$ *</u>

* Total interest earned on advances was \$217. The interest of \$115 was reprogrammed to provide additional administrative services during closeout period. The interest earned of \$102 received after closeout period was remitted to the Department of Community Services and Development on 9/15/2011, per Los Angeles County warrant # TS0014653140.

**COUNTY OF LOS ANGELES
COMMUNITY AND SENIOR SERVICES
COMMUNITY SERVICES BLOCK GRANT
SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES
CSD CONTRACT NO. 10F-4060
For the Year Ended June 30, 2011**

CFDA# 93.569

	<u>January 1, 2010 through June 30, 2010</u>	<u>July 1, 2010 through June 30, 2011</u>	<u>Total Costs</u>	<u>Total Budget</u>
REVENUE				
Grant Revenue	\$ 167,882	\$ 215,497	\$ 383,379	\$ 383,379
Interest Income	-	176	176	*
Other Income	-	-	-	-
Total Revenue:	<u>167,882</u>	<u>215,673</u>	<u>383,555</u>	<u>383,379</u>
EXPENDITURES				
Administrative Costs				
Salaries & Wages	7,450	11,323	18,773	30,892
Fringe benefits	17,012	20,309	37,321	25,026
Operating Expenses	-	-	-	-
Equipment	-	-	-	-
Out-of-State Travel	-	-	-	-
Subcontractor Services	-	-	-	-
Other Costs	-	-	-	-
Total Administrative Costs	<u>24,462</u>	<u>31,632</u>	<u>56,094</u>	<u>55,918</u>
Program Costs				
Salaries & Wages	-	-	-	-
Fringe benefits	-	-	-	-
Operating Expenses	9,933	22,067	32,000	32,000
Equipment	-	-	-	-
Out-of-State Travel	-	-	-	-
Subcontractor Services	133,487	161,974	295,461	295,461
Other Costs	-	-	-	-
Total Program Costs	<u>143,420</u>	<u>184,041</u>	<u>327,461</u>	<u>327,461</u>
Total Expenditures	<u>167,882</u>	<u>215,673</u>	<u>383,555</u>	<u>383,379</u>
Revenue over (under) costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Single Audit (SEFA)	167,882	176,900	344,782	
Variance	<u>\$ -</u>	<u>\$ 38,773</u>	<u>\$ 38,773</u>	
		(a)		

* Represents interest earned on advances. \$176 in earned interest was reprogrammed to provide additional administrative services.

(a) A negative adjustment was made to correct the over reported amount of \$38,773 in the FY 2008-2009 Single Audit.

COUNTY OF LOS ANGELES
COMMUNITY AND SENIOR SERVICES
COMMUNITY SERVICES BLOCK GRANT
SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES
CSD CONTRACT NO. 11F-4260
For the Year Ended June 30, 2011

CFDA# 93.569

	JAN 1, 2011 through JUN 30, 2011	Total Costs	Total Budget
REVENUE			
Grant Revenue	\$ 135,353	\$ 135,353	\$ 383,379
Interest Income	-	-	*
Other Income	-	-	-
Total Revenue:	<u>135,353</u>	<u>135,353</u>	<u>383,379</u>
EXPENDITURES			
<u>Administrative Costs</u>			
Salaries & Wages	4,624	4,624	36,251
Fringe benefits	3,744	3,744	29,362
Operating Expenses	-	-	-
Equipment	-	-	-
Out-of-State Travel	-	-	-
Subcontractor Services	-	-	-
Other Costs	-	-	-
Total Administrative Costs	<u>8,368</u>	<u>8,368</u>	<u>65,613</u>
<u>Program Costs</u>			
Salaries & Wages	-	-	-
Fringe benefits	-	-	-
Operating Expenses	6,195	6,195	53,431
Equipment	-	-	-
Out-of-State Travel	-	-	-
Subcontractor Services	120,790	120,790	264,335
Other Costs	-	-	-
Total Program Costs	<u>126,985</u>	<u>126,985</u>	<u>317,766</u>
Total Expenditures	<u>135,353</u>	<u>135,353</u>	<u>383,379</u>
Revenue over (under) costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Single Audit (SEFA)	<u>\$ 135,353</u>	<u>\$ 135,353</u>	
Variance	-	-	

**COUNTY OF LOS ANGELES
DEPARTMENT OF PUBLIC SOCIAL SERVICES
COMMUNITY SERVICES BLOCK GRANT
SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES
CSBG CONTRACT NO. 09F-5122 ARRA
For the Year Ended June 30, 2011**

CFDA# 93.710

	July 1, 2009 through June 30, 2010	July 1, 2010 through June 30, 2011	Total Costs	Total Budget ⁽¹⁾
REVENUE				
Grant Revenue	\$ 3,783,307	\$ 7,450,173	\$ 11,233,480	\$ 11,602,340
Interest Income ⁽²⁾	10,072	8,804	18,876	-
Other Income	-	-	-	-
Total Revenue	3,793,379	7,458,977	11,252,356	11,602,340
Less funds returned to the State:				
Return of advance balance ⁽³⁾	-	(10,983)	(10,983)	-
Return of interest income ⁽²⁾	(10,072)	(8,804)	(18,876)	-
Revenue Received	3,783,307	7,439,190	11,222,497	11,602,340
EXPENDITURES⁽¹⁾				
Administrative Costs				
Salaries and Wages	30,465	29,412	59,877	154,203
Fringe Benefits	9,949	9,177	19,126	76,749
Operating Expenses & Equipment	-	-	-	-
Out-of State Travel	-	-	-	-
Subcontractor Services	-	-	-	1,110,519
Other Costs				
Indirect Cost	8,487	8,104	16,591	
Others	16,093	(10,488)	5,605	50,809
Total Administrative Costs	64,994	36,205	101,199	1,392,280
Program Costs				
Salaries and Wages	87,771	49,527	137,298	188,418
Fringe Benefits	29,805	17,333	47,138	104,632
Operating Expenses	-	-	-	-
Out-of-State Travel	-	-	-	-
Subcontractor Services	3,576,046	7,322,085	10,898,131	9,852,539
Other Costs	24,691	14,040	38,731	64,471
Total Program Costs	3,718,313	7,402,985	11,121,298	10,210,060
Total Expenditures	3,783,307	7,439,190	11,222,497	11,602,340
REVENUE OVER (UNDER) EXPENDITURES	\$ -	\$ -	\$ -	\$ -

(1) The Expenditures items and Total Budget amounts are based on the CSBG ARRA Contract Budget Summary contained in the contract (as Attachment I to the Grant Agreement.) The Expenditures amounts are based on the monthly CSBG Expenditure Claim Reports filed with the Department of Community Services and Development.

(2) Represent interests earned on program advances. The total interest of \$18,876 was remitted to the Department of Community Services and Development on November 19, 2010, per Los Angeles County warrant #TS0013035520.

(3) Represent CSBG advance balance due to the a negative adjustment claim of \$10,983 made on the April 2010 Expenditure Claim. The balance of \$10,983 was remitted to the Department of Community Services and Development per County warrant #TS0014874180 dated October 20, 2011.

**COUNTY OF LOS ANGELES
DEPARTMENT OF PUBLIC SOCIAL SERVICES
COMMUNITY SERVICES BLOCK GRANT
SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES
CSBG CONTRACT NO. 11F-4222
For the Year Ended June 30, 2011**

CFDA# 93.569

	January 1, 2011 through June 30, 2011	Total Costs	Total Budget(1)
REVENUE			
Grant Revenue	\$ 3,715,463	\$ 3,715,463	\$ 6,873,724
Interest Income	-	-	-
Other Income	-	-	-
Total Revenue	<u>3,715,463</u>	<u>3,715,463</u>	<u>6,873,724</u>
EXPENDITURE⁽¹⁾			
Administrative Costs			
Salaries and Wages	171,175	171,175	431,610
Fringe Benefits	68,626	68,626	181,376
Operating Expenses	-	-	20,300
Out-of State Travel	-	-	8,000
Other Costs			
Indirect Costs	45,475	45,475	-
Other Costs	5,935	5,935	128,728
Subcontractor Services	-	-	-
Total Administrative Costs	<u>291,211</u>	<u>291,211</u>	<u>770,014</u>
Program Costs			
Salaries and Wages	256,177	256,177	711,998
Fringe Benefits	79,651	79,651	257,983
Operating Expenses	-	-	-
Out-of-State Travel	-	-	-
Other Costs			
Indirect Costs	65,861	65,861	203,696
Other Costs	-	-	-
Subcontractor Services	1,588,625	1,588,625	4,930,033
Total Program Costs	<u>1,990,314</u>	<u>1,990,314</u>	<u>6,103,710</u>
Total Expenditures	<u>2,281,525</u>	<u>2,281,525</u>	<u>6,873,724</u>
REVENUE OVER (UNDER) EXPENDITURES:	<u>\$ 1,433,938</u> (2)	<u>\$ 1,433,938</u>	<u>\$ -</u>

(1) The Expenditure and Total Budget amounts are based on the CSBG Contract Budget Summary contained in the contract (as Attachment I to the Grant Agreement). The Expenditure amounts are based on the monthly CSBG Expenditure Claim Reports filed with the Department of Community Services and Development (CSD) from January 1, 2011 through June 30, 2011. The Contract Budget amounts are from January 1, 2011 - December 31, 2011.

(2) REVENUE OVER (UNDER) EXPENDITURES: This amount represents the balance of CSBG program advances at the end of FY 2010-11. The amount will be applied to FY 2011-12 CSBG expenditure claims.